



Positioned for growth

Coats plc Annual Report 2010



Coats was founded in 1755 in Scotland.
Since then we have been supplying yarn,
sewing and needlework products to a
wide range of markets around the world.

Coats' products are part of the fabric
of everyday life...

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Our products are sold in over
100 countries



1 in 5 garments

around the world are held
together using Coats' thread





300 million
pairs of shoes

are made every year
using Coats' thread

AIRBAG

75 million

car airbags are made using Coats' thread every year

Tracer threads

used in passports offer a huge
growth opportunity for Coats

PASSPORT

International designers such
as Amy Butler and Kaffe Fassett
work with us to create

stunning fabric ranges

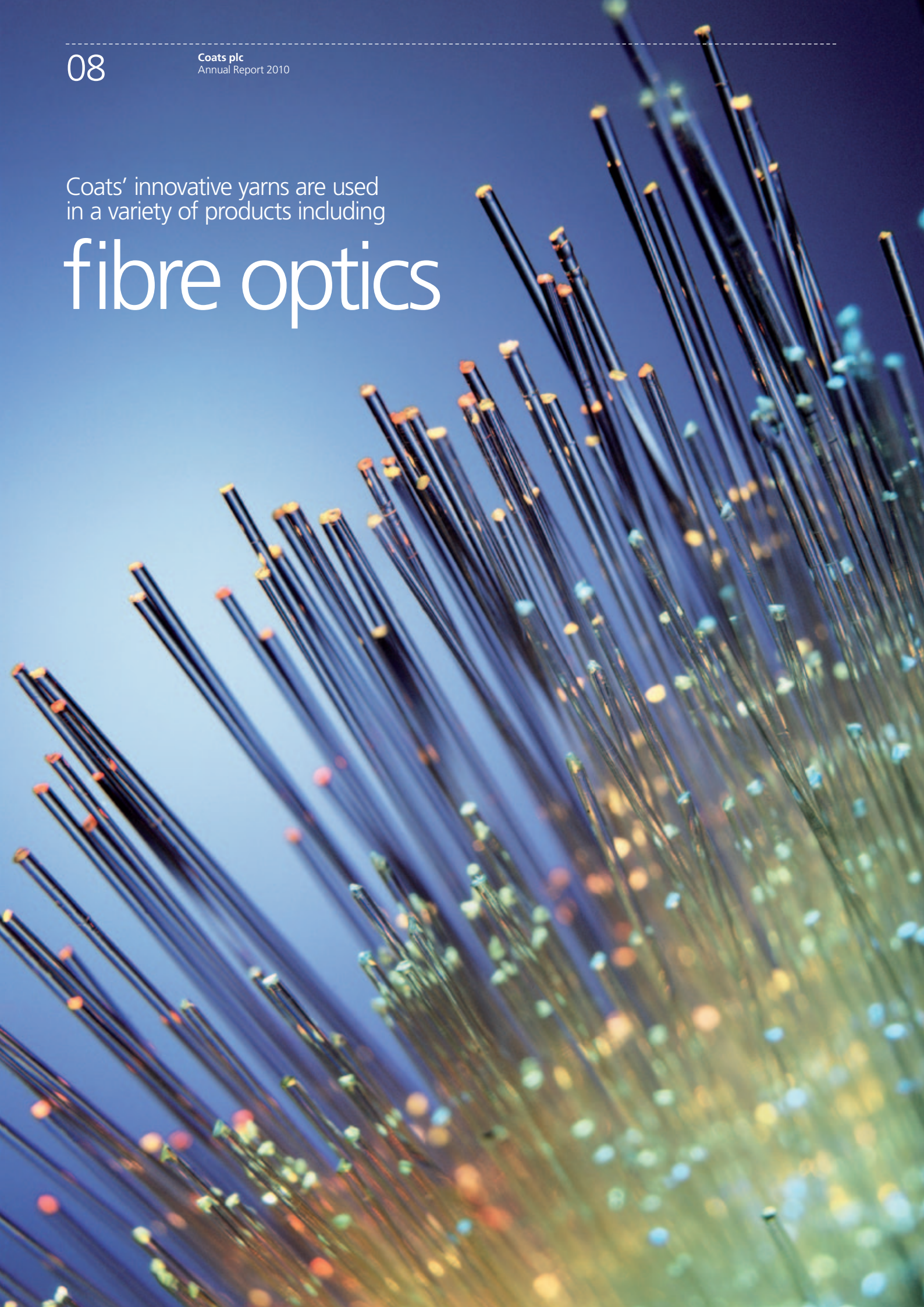


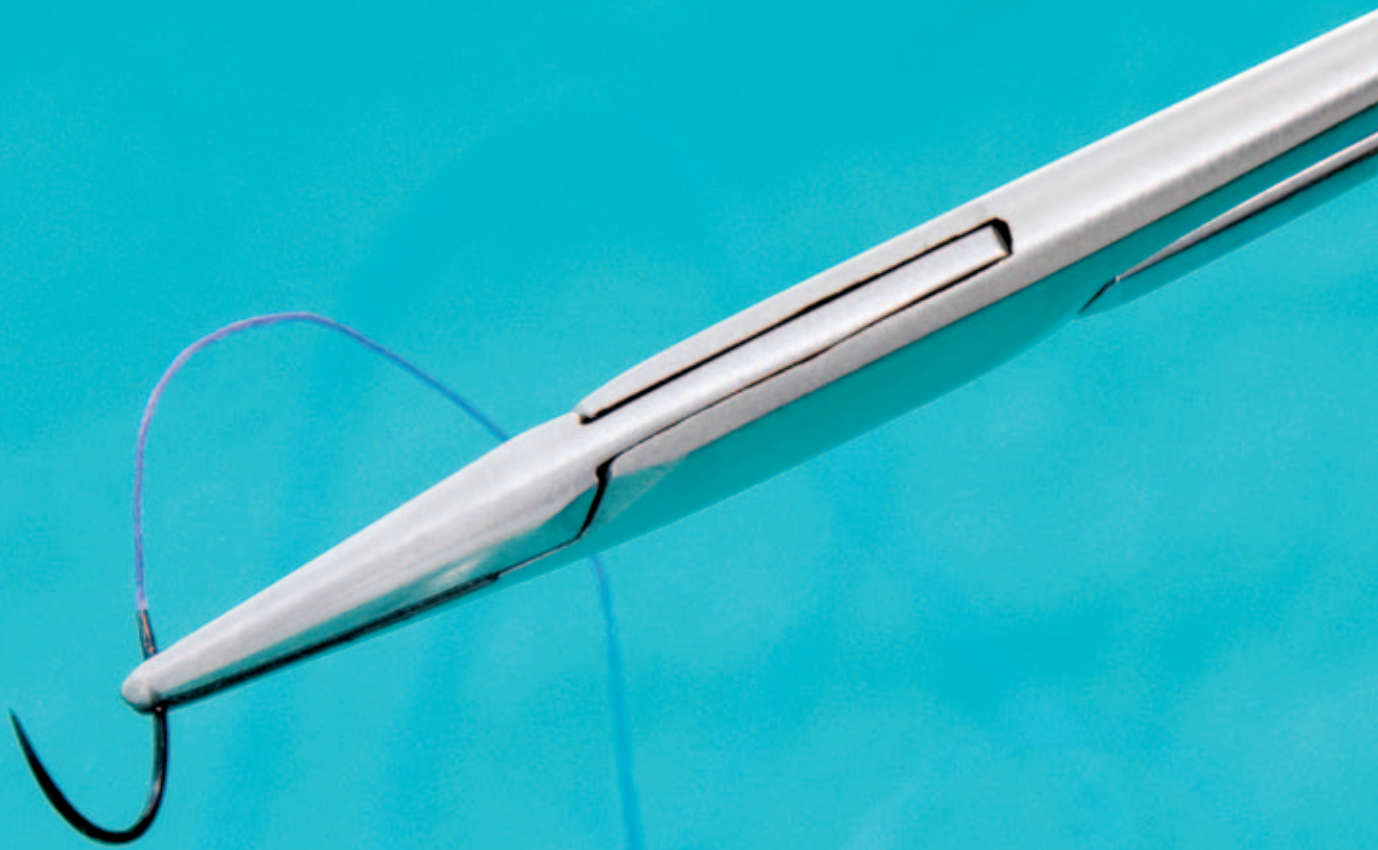


2nd largest
supplier of zips
to global brands

Coats' innovative yarns are used
in a variety of products including

fibre optics





Thousands

of operations are made possible every
day because of Coats' thread

3 times

the size of our nearest competitor
in industrial thread

6 times

the size of any other
global player in the
crafts textile market





1 million teabags

made using Coats' thread
are brewed every ten minutes

Introduction

With over 250 years of history to draw on, Coats is the world's leading industrial threads and consumer crafts business. Our reputation is built on the passion of our people around the world – an expert team who understand our customers' and consumers' needs and continually develop products to improve their businesses and lives.

The original attention to detail that made Coats the world's first true multinational is still at the heart of our business. Today this is reflected in our specialised IT and colour management systems, global supply chain and innovative approach to developing inspirational ideas for our customers.

Coats today



Industrial

Every year our industrial products go into 10 billion garments, 300 million pairs of shoes and a diverse range of products that are part of the fabric of everyday life: from seat belts and handbags to baseballs and tents. The strength of our business comes from our ability to work closely with our customers to develop thread and yarn solutions that add significant value to their product ranges.

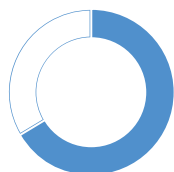


Key market segments

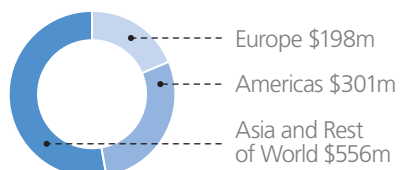
Apparel	Luggage and travel
Footwear	Home furnishings
Automotive	Sporting goods
Health care	Outdoor goods
Food and beverage	Protective clothing

Revenue

\$1,055m

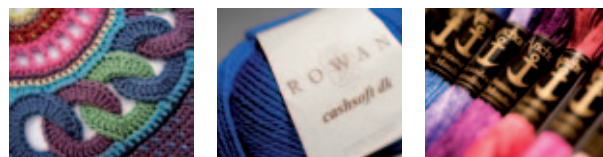


Geography



Consumer crafts

Coats Crafts has been providing a range of high quality threads and yarns for handicrafts since the 18th century. Today Coats is the world's leading supplier of recognised handknitting brands, lifestyle fabrics and needlecraft products. Our brands include Rowan, Cisne, Red Heart, SMC, Anchor and Opti. Every year our creative teams work with designers from all over the world to create a range of rich pattern collections which inspire devoted fans of crafting.

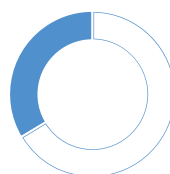


Key market segments

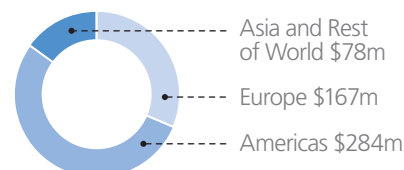
Handknittings
Crochet
Sewing
Embroidery
Lifestyle fabrics
Haberdashery

Revenue

\$529m

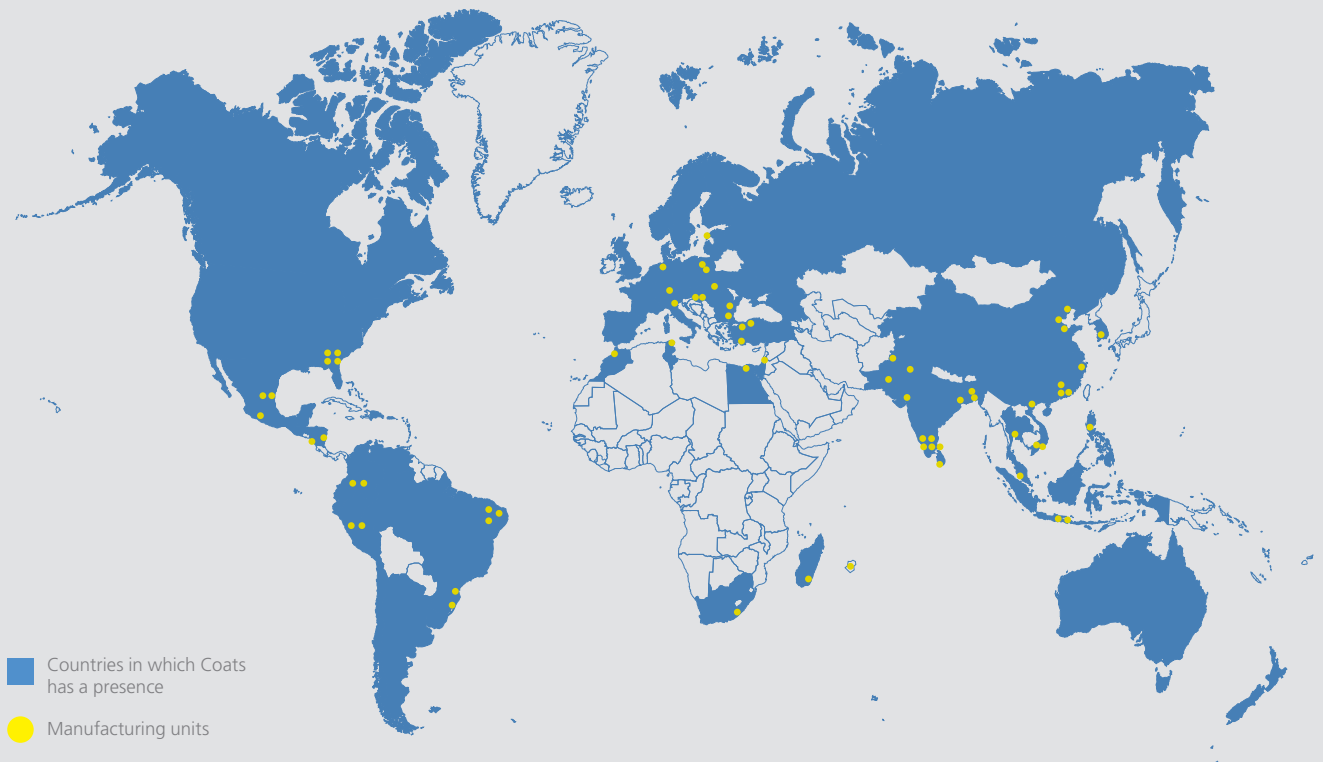


Geography



73 manufacturing facilities
supplying both industrial
and crafts customers across
six continents

- Over 22,000 employees around the world
- Dedicated global sales team, working closely with our customers
- Global SAP-based IT platform
- Operating to the highest ethical business and employment standards



Our 2010 global employee survey found our employees are extremely proud to work for Coats.



Advanced reverse osmosis systems introduced this year enable us to treat and reuse rainwater in India, ensuring we conserve resources and minimise our impact on the environment.



Innovative new coatings were applied to dye vessels throughout our operations this year, which will significantly reduce energy usage.

Some of Coats' global customers



Financial summary

US\$1,583.6m

Revenue (2009 – US\$1,408.3m)

US\$132.3m

Operating profit before exceptional items*
(2009 – US\$95.9m)

US\$118.0m

Operating profit (2009 – US\$54.3m)

US\$121.7m

Profit before taxation and exceptional items*
(2009 – US\$78.0m)

US\$81.4m

Profit before taxation (2009 – US\$13.9m)

US\$71.5m

Net profit before exceptional items
attributable to equity shareholders*
(2009 – US\$36.2m)

US\$33.9m

Net profit/(loss) attributable to equity
shareholders (2009 – US\$27.0m loss)

US\$300.5m

Average net debt (2009 – US\$366.2m)

- Total revenue up 12% and 38% increase in pre-exceptional operating profit.
- Attributable profit increased to \$33.9 million (2009 – \$27.0 million loss) – a \$60.9 million turnaround.
- Industrial Division pre-exceptional operating profit margin increased to 11% (2009 – 8%). All regions registered double digit like-for-like sales growth and improved margins.
- Sales growth of 2% achieved by the Crafts Division, following two years of decline. In European Crafts, the rate of sales decline has significantly abated and in the later part of the year demonstrated year-on-year growth.
- Reorganisation costs of \$19.8 million at less than half 2009 levels (2009 – \$49.0 million).
- Effective tax rate excluding prior year tax adjustments and exceptional items improved to 37% (2009 – 47%).
- Average net debt reduced to \$300.5 million (2009 – \$366.2 million).
- Average net working capital/sales ratio (annualised basis) reduced to 19% (2009 – 20%), notwithstanding the improvement in trading.

* Pre reorganisation, impairment and other exceptional items (see note 5 to the accounts).

Chairman and Chief Executive's review

Overview

Coats made encouraging progress in 2010, with 12% growth in revenue and a 38% increase in pre-exceptional operating profit. Attributable profit for the year increased to \$33.9 million (2009 – \$27.0 million loss) – a \$60.9 million turnaround. Average net debt reduced by \$65.7 million to \$300.5 million.

Restructuring activities were significantly lower than during any of the previous six years of GPG's ownership of Coats and Coats is now, with the vast majority of restructuring complete, focused on delivering sustained profitable revenue growth and using its investment in IT to enhance productivity. The increase in revenue is pleasing, even though it was on the back of weak 2009 comparatives. It is particularly encouraging given the limited reliance on restocking for the year as a whole and the fact that internally driven factors such as new products, new customers and market share gains have contributed. Excellent conversion of sales growth to profit reflected the decisive actions taken in 2009 and earlier years to reduce Coats' cost base.

Gary Weiss, Chairman (left)
with Paul Forman, Group Chief Executive



Chairman and Chief Executive's review (continued)

Results

Industrial Division sales, which are largely driven by demand for clothing and footwear, grew by 19% to \$1,055.0 million (2009 – \$888.4 million). Inventory levels in the apparel supply chain were at historically low levels at the end of 2009, but there has been limited restocking over the year in our core geographic end markets. Hence growth achieved reflects underlying improvement in demand and market share gains. As a result of these factors, double digit revenue growth was broadly achieved throughout the year and across all regions. Pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) increased by 58% to \$112.0 million (2009 – \$70.9 million), representing an operating profit margin of 11% (2009 – 8%).

Productivity levels improved compared to 2009, due to many plants operating at close to full capacity and operating efficiencies arising from previous reorganisation initiatives, and this has more than offset raw material cost and payroll inflation pressures. 2010 has seen market shortages of key raw materials, but the investment made in previous years in SAP and, in particular, demand planning tools has enabled Coats to significantly mitigate these constraints.

Crafts Division sales increased by 2% to \$528.6 million (2009 – \$519.9 million). A pre-exceptional operating profit of \$20.3 million (2009 – \$25.0 million) was generated, impacted primarily by product mix changes and unprecedented raw material price increases in the second half.

In Europe, where the consumer environment remains weak overall, Crafts sales were 6% down on 2009 levels and 3% down on a like-for-like basis (at consistent foreign exchange rates). However, notwithstanding these sales decreases, operating losses of \$21.0 million were maintained at the same level as 2009 (\$20.9 million), reflecting additional benefits from the major restructuring of this business, which focused on lowering the cost base, enhancing productivity and delivering a harmonised pan-European product offer. This restructuring is being continued, albeit at lower levels than in the past, and is positioning the business for a return to profitability in the foreseeable future.

Sales from the Crafts businesses in the Americas and Asia increased by 6% to \$361.5 million (2009 – \$342.0 million); this growth was achieved notwithstanding some significant destocking during the first part of the year by key North American customers. Profits of \$41.3 million (2009 – \$45.9 million) were impacted by very significant raw material price increases.

\$33.9m

Attributable profit (2009 – \$27.0 million loss)

12%

Growth in revenue

“Restructuring activities were significantly lower than during any of the previous six years of GPG's ownership of Coats.”

Over 250 years
of history

1755

James and Patrick Clark established a business in Paisley, Scotland



1872

Yarn production started in Braunlingen, Germany

1824

James Coats built Ferguslie Threadmill in Paisley

1830

J&P Coats formed



Further details on Industrial and Crafts performance on a like-for-like basis (at consistent foreign exchange rates) are included in the Operating review.

The results for the Industrial and Crafts businesses as reported (at actual exchange rates) over the last seven years of GPG's ownership of Coats provide the context for the current year's performance.

	2010	2009	2008	2007	2006	2005	2004
External sales (\$m)							
Industrial thread and zips	1,055.0	888.4	1,071.3	1,087.6	1,030.1	996.2	987.7
Crafts	528.6	519.9	574.1	593.6	585.0	640.5	590.5
Total	1,583.6	1,408.3	1,645.4	1,681.2	1,615.1	1,636.7	1,578.2
Sales growth (%)							
Industrial thread and zips	+19%	-17%	-1%	+6%	+3%	+1%	+1%
Crafts	+2%	-9%	-3%	+1%	-9%	+8%	+13%
Total	+12%	-14%	-2%	+4%	-1%	+4%	+5%
Pre-exceptional operating profit/(loss) (\$m)							
Industrial thread and zips	112.0	70.9	109.9	132.6	103.6	68.5	49.3
Crafts	20.3	25.0	(7.1)	25.5	18.8	58.0	41.2
Total	132.3	95.9	102.8	158.1	122.4	126.5	90.5
Pre-exceptional operating margin (%)							
Industrial thread and zips	11%	8%	10%	12%	10%	7%	5%
Crafts	4%	5%	-1%	4%	3%	9%	7%
Total	8%	7%	6%	9%	8%	8%	6%

**1890**

J&P Coats listed on the London Stock Exchange

1912

Coats became the world's third largest company by market capitalisation

1920

Cotton spinning mill established in Shanghai, China

**2001**

Coats Viyella renamed Coats plc

2003

Coats plc acquired by the Guinness Peat Group

2009

Paul Forman appointed as CEO of Coats plc

**GPG**

Chairman and Chief Executive's review (continued)

"Investment continued to be made to support the growth of the business and to improve its operational performance."

Net debt

Year end net debt reduced to \$241.9 million (2009 – \$258.5 million). This is after investment during the year in new plant and systems and reorganisation projects of \$60.1 million (2009 – \$73.2 million). Average net debt for the year reduced significantly from \$366.2 million in 2009 to \$300.5 million in 2010, as tight controls over net working capital and increased profits have had a beneficial impact.

Investment

Investment continued to be made to support the growth of the business and to improve its operational performance.

Investment in new plant and systems amounted to \$36.5 million (2009 – \$26.7 million). This capital expenditure was focused on productivity improvements in the Industrial business and supporting growth initiatives across Coats.

Reorganisation costs were significantly lower than in previous years at \$19.8 million (2009 – \$49.0 million). Costs incurred in respect of the European Crafts business of \$10.2 million were significantly down on 2009 levels (\$31.3 million), given that the major restructuring of this business, which commenced in 2006, was substantially complete by the end of 2009. The business was formerly organised by country, each with its own product range, but has been transformed into a more cost-effective pan-European business, with a single harmonised product offer, improved supply chains, and reduced distribution and administration costs. Product ranges have been rationalised, manufacturing and distribution centres have been closed and headcount reduction projects have been implemented.

Reorganisation cash outflows of \$23.6 million (2009 – \$46.5 million) were largely offset by \$17.6 million (2009 – \$14.5 million) proceeds from the sale of properties, including those which had become surplus as a result of the Group's reorganisation programme.

European Commission investigation

As noted in last year's report, in September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million (equivalent to \$147.5 million at 31 December 2010 exchange rates). This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which was lodged in December 2007 with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

As stated in previous reports, Coats remains of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions.

Prospects

Continued recovery in the global economy is expected in 2011, although heavily indebted developed economies face uncertainty. Prices of many commodities and materials used by Coats increased further during the last quarter of 2010 and are at unprecedented levels. Given market supply constraints, this is expected to continue in 2011. Payroll and other inflationary pressures are also expected to remain high in many of the countries in which Coats operates.

Industrial thread demand is expected to continue to improve during 2011, but at a lower rate than seen in 2010. Sales price increases are now coming through to help offset the pressure on margins from the impact of record raw material cost increases and payroll inflation. Very positive sales momentum continues across all regions, including market share gains in apparel and footwear and expansion in speciality markets such as automotive, health care and cabling.

The Crafts business achieved sales growth of 2% in 2010 and further growth is expected in 2011. Some improvement in margins is anticipated as the benefits of sales growth and European cost reductions take effect. Detailed plans are in place to return the margins of the Crafts business by 2013, assuming the Western macroeconomic environment remains broadly stable, to the range of historic levels seen in 2004 and 2005.

It is anticipated that restructuring activity in 2011 will continue to reduce and capital and restructuring spend in aggregate is expected to be broadly in line with depreciation (including amortisation of computer software).

Along with its strong brands, substantial market shares and truly global operations, the Group's major investment, restructuring and cost reduction programme of the last seven years has provided the Group with a strong operational and financial platform to grow the business as market conditions continue to improve. We are now investing at greater levels in new product development, global sales and marketing, e-commerce, recruitment and growth-related capital investment. A number of organisational changes have been made involving external appointments to senior management positions; these will provide greater commercial focus and have upgraded our overall management capability as we enter a new phase of development for Coats. We are confident that these actions will sustain Coats' market leadership and revenue and profit growth during 2011 and beyond.

Gary Weiss Chairman

Paul Forman Group Chief Executive
27 April 2011

Average net debt reduced to

\$300.5m

(2009 – \$366.2 million).

“We are now investing at greater levels in new product development, global sales and marketing, e-commerce, recruitment and growth-related capital investment.”

Potential for growth

With our global presence, manufacturing units in key locations and team of experts across the globe we are perfectly placed for growth in both existing and new markets.

Global

From Paisley to Peru, Bangalore to Brazil, our teams are ideally situated to take advantage of local relationships, whilst maximising our global networks. We have strong positions in markets around the world, including India, China and the rest of Asia, the United States, South America and Europe. Our business is linked by advanced IT networks and supply chain management systems to ensure cost efficiencies are maximised across the Coats world.



Expert

We have over 22,000 motivated people with the in-depth knowledge to develop the right products for our customers' needs. We are involved from the design stage of any project to ensure we advise on the right thread for industrial or home crafts use. Creating a perfect colour-match for our customers' products is key to our success; our proprietary 'Colour Stitch' ensures we can transmit colour information across the globe, from a desk in New York to a dye house in Guangzhou.



Growing

Our recent global restructure has established a business with factories in highly cost-effective locations. And our relationships with the world's biggest brands mean we are ideally placed to take advantage of growth opportunities in both apparel and footwear as well as specialist sectors such as fibre optics, tracer threads and medical and feminine hygiene. In the Crafts markets our lifestyle fabric ranges, where we saw double digit growth in 2010, and handknitting ranges both present huge opportunities for our business.



Operating review

Industrial	2010 reported \$m	2009* like-for-like \$m	2009 reported \$m	Like-for-like increase %	Actual increase %
Sales					
Asia and Rest of World	556.2	466.7	459.4	+19%	+21%
Europe	198.0	177.1	181.0	+12%	+9%
Americas	300.8	262.0	248.0	+15%	+21%
Total sales	1,055.0	905.8	888.4	+16%	+19%
Pre-exceptional operating profit**	112.0	73.1	70.9	+53%	+58%

* 2009 like-for-like restates 2009 figures at 2010 exchange rates.

** Pre reorganisation, impairment and other exceptional items (see note 5 to the accounts).

In the following commentary, all comparisons with 2009 are on a like-for-like basis.

“Higher demand has resulted in a marked increase in plant capacity utilisation, with associated profitability improvements.”



Industrial trading performance

The Asian Industrial performance reflects an upturn in the Asian apparel and footwear export sectors, driven by improvements in consumer demand plus some limited retailer restocking in North America and Europe, as well as the strengthening of domestic markets within Asia. Gains in market share have been achieved. Coats' long-established relationships with global apparel and footwear suppliers and brand owners continue to provide strong support to the business.

The European Industrial sales growth of 12% reflects improvement in consumer demand in key European markets plus some market share gains. Notable growth

was achieved in speciality applications outside of apparel and footwear, and sales to the automotive segment included some benefit from restocking of the supply chain. There has been a significant improvement in profitability compared to 2009 in both the first and the second half of the year, including benefits from previous reorganisation and investment.

Sales in the Americas have also benefited from improvements in consumer demand and some market share gains, with customers focusing not only on price but also on the quality and service which Coats offers. As with Europe, we have seen significant growth in speciality products. Higher demand has resulted in a marked increase in plant capacity utilisation, with associated profitability improvements.

Crafts

	2010 reported \$m	2009* like-for-like \$m	2009 reported \$m	Like-for-like increase/ (decrease) %	Actual increase/ (decrease) %
Sales					
Asia and Rest of World	77.4	67.6	64.2	+14%	+21%
Europe	167.1	172.8	177.9	-3%	-6%
Americas	284.1	287.4	277.8	-1%	+2%
Total sales	528.6	527.8	519.9	-	+2%
Pre-exceptional operating profit**	20.3	26.4	25.0	-23%	-19%

* 2009 like-for-like restates 2009 figures at 2010 exchange rates.

** Pre reorganisation, impairment and other exceptional items (see note 5 to the accounts).
In the following commentary, all comparisons with 2009 are on a like-for-like basis.

Crafts trading performance

The European Crafts market remains weak, particularly in Southern Europe where austerity measures and cuts in public spending are constraining consumer confidence. However, the rate of decline in demand has significantly abated, and is showing signs of stabilising. Sales were down only 3% overall from last year on a like-for-like basis, following the double digit declines reported in each of the previous three years. Sales in the three month period from November 2010 to January 2011 registered a year-on-year growth of 5%; an important directional shift. Sales of handknittings – the key product category – increased in 2010. Notwithstanding the lower sales base, the operating loss from this business has been maintained at 2009 levels, and the business is well positioned to take advantage of any improvements in market conditions and the continuation of our increasingly positive sales trends.

North America Crafts' performance has been impacted by a soft market compared to 2009, with a number of major retailers reducing inventory levels. However, there has been continual improvement as the year progressed, and second half sales were in line with 2009. In South America, sales for the year were ahead of 2009, where good growth in handknittings continued, reflecting strong product introductions plus supply chain benefits. Profitability for the Americas region was impacted by unprecedented raw material price increases.

Operating review (continued)

"EBITDA* increased to \$191.2 million."

Exceptional operating items

Net exceptional costs charged to operating profit have significantly reduced to \$14.3 million (2009 – \$41.6 million). The key items are reorganisation costs of \$19.8 million (2009 – \$49.0 million) and US environmental costs of \$2.5 million (2009 – nil), partly offset by property profits of \$6.1 million (2009 – \$7.5 million).

The US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey, in respect of former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group to fund and conduct a remedial investigation and feasibility study of the area. Coats has joined this group and the \$2.5 million charged in the year is in respect of Coats' estimated share of the cost of this study and associated legal and consultancy expenses.

Coats believes that its former facilities which operated in the Lower Passaic River Study Area did not generate the contaminants which are driving the anticipated remedial actions and that this, and other mitigating factors, should result in a reduced share of any exposure for future remedial and other costs. At the present time, there can be no assurance as to the scope of these remedial and other costs nor can Coats predict what its ultimate share will be. Accordingly, no provision has been made for these costs.

Investment income and finance costs

Finance costs, before exceptional items and net of investment income, reduced to \$11.0 million (2009 – \$18.4 million), primarily due to a \$4.5 million reduction in interest payable on bank and other borrowings. This reflects lower average net debt, which reduced from \$366.2 million in 2009 to \$300.5 million in 2010.

Exceptional finance costs were \$26.0 million (2009 – \$22.5 million) and relate entirely to notional interest on the subordinated and convertible amounts owed to the parent company of \$199.2 million (2009 – \$173.2 million), as explained in note 23.

Tax

The tax charge was \$42.2 million (2009 – \$32.4 million) on pre-tax profit of \$81.4 million (2009 – \$13.9 million). Excluding prior year tax adjustments and exceptional items plus their associated tax effect, the effective tax rate was 37% (2009 – 47%). This reduction reflects lower unrelieved losses, principally in Europe.

Pension and other post-employment benefits

The Group's key funded defined benefit arrangements are in the UK and USA.

The UK plan's triennial valuation as at April 2009 was completed during 2010 and showed an actuarial funding deficit of \$158.6 million (at 31 December 2010 exchange rates), which equated to a funding level of 92%. A ten year recovery plan has been agreed with the scheme, under which contributions of \$13.5 million per annum are payable from January 2011 (of which \$2.5 million per annum relates to future service). This will be reviewed at the next triennial valuation as at April 2012. However, on an IAS 19 accounting basis, as at 31 December 2010 the UK scheme showed a gross surplus of \$18.6 million (2009 – \$28.7 million) and a recoverable surplus of \$1.5 million (2009 – \$15.0 million).

* Pre-exceptional operating profit before depreciation and amortisation.

As at 31 December 2010, the USA scheme showed a gross surplus of \$69.5 million (2009 – \$69.6 million) and a recoverable surplus of \$32.0 million (2009 – \$31.2 million). An employer contribution holiday for this scheme continues to be taken based on actuarial advice.

The recoverable surpluses for these schemes are predominantly included in non-current assets.

There are various pension and leaving indemnity arrangements in other countries (primarily in Europe) where the Group operates. The vast majority of these schemes, in line with local market practice, are not funded but are fully provided in the Group accounts and are predominantly included in current and non-current liabilities.

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) increased to \$191.2 million (2009 – \$156.3 million).

An operating cash flow before reorganisation costs of \$117.8 million (2009 – \$198.1 million) arose. This reflected a \$72.1 million increase (2009 – \$48.2 million decrease) in net working capital at average exchange rates as a more normalised approach to year end creditor management was adopted. Given the excellent operating cash flow in 2009, it was expected that there would be some reversal in 2010 as trading improved.

Nonetheless, the average net working capital/sales ratio (annualised basis) improved to 19% (2009 – 20%), facilitated by the investment in IT systems in recent years.

Spend on reorganisation and capital projects totalled \$60.1 million (2009 – \$73.2 million), representing 1.0 times (2009 – 1.2 times) depreciation and amortisation of \$58.9 million (2009 – \$60.4 million). Including the realisation of \$17.6 million (2009 – \$14.5 million) from the sale of surplus property, reorganisation and capital spend was comfortably met out of internally generated cash flow.

Interest and tax paid was \$55.5 million (2009 – \$52.3 million).

Accordingly, year end net debt reduced by \$16.6 million to \$241.9 million (2009 – \$258.5 million).

Balance sheet

Equity shareholders' funds increased to \$294.3 million (2009 – \$279.1 million). This reflects the \$33.9 million attributable profit, partly offset by losses of \$18.7 million taken directly to reserves. This reserves movement largely reflects actuarial losses in respect of retirement benefit arrangements of \$26.6 million (2009 – \$3.6 million), partly offset by exchange translation gains of \$8.1 million (2009 – \$32.5 million), which arose on the translation of operations with functional currencies other than the US dollar.

“Equity shareholders' funds increased to \$294.3 million (2009 – \$279.1 million).”

Corporate social responsibility statement

In the course of 2010 the Company embarked on a review of its corporate social responsibility programme to ensure that it is in line with best practice. In particular, the Company is working towards a sustainability report for the year ending 31 December 2011 that complies with the Global Reporting Initiative in this area. In the meantime Coats has continued its existing practice as follows:

Environmental performance

During 2010 the emphasis for Coats' environmental management programme was:

- Reduction of waste – we actively look at using more recycled or sustainable materials in our products and increasing the proportion of recycled material used in packaging. We work to reduce the amount of packaging material used so that our customers can either recycle more easily or reduce the final waste into the environment. We actively promote our recycled polyester and organic cotton thread ranges.
- We continuously work to reduce our water consumption as well as increasing the amount that we recycle. Waste water treatment facilities are continually reviewed and, where appropriate, upgraded to comply with our global standard, which in many cases is more stringent than that required in the jurisdictions in which we operate. For example, we have two more reverse osmosis 'zero-discharge' plants currently being installed.
- Energy usage – we work at all times to improve our energy management and reduce our greenhouse gas emissions. For example, having run a successful pilot in 2009, in the course of 2010 we began rolling out a global programme to reduce heat loss and therefore energy usage by better insulating our dye vessels throughout our operations using nanotechnology.

Product safety

Restricted substances are those that are known or are suspected to cause harm to human health or the environment. Our approach is that suppliers must avoid the use of such restricted substances to ensure that our products are environmentally safe. Coats' Restrictive Substances List incorporates or exceeds the requirements of all the major internationally recognised environmental standards (for example REACH, Oeko-Tex, CPSIA). It is continually reviewed and rigorously enforced, and where necessary extended to reflect tightening commercial and legal limits for dangerous substances. Consequently additional chemicals have been added to our list in 2010. We believe that it is the most comprehensive such list in the textile industry and indeed it is used as a reference by other organisations.

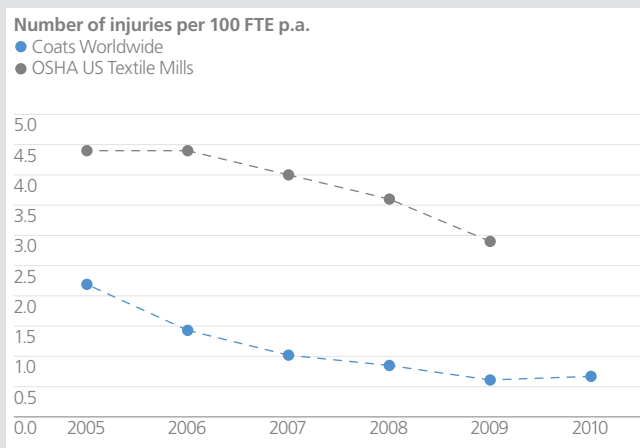
Employment practices and human rights

The Group is committed to ensuring that employment practices and policies continue to meet all local legislation and comply with Coats' global policies. The Group continuously develops its employment practices and policies and uses best practice to the benefit of its employees and stakeholders worldwide. Coats Worldwide Employment Standards Statement sets out the ethical principles which are observed across its global operations. The statement refers to employee rights to a safe and healthy work environment, the right to collective representation and the Group's commitment to ensuring that it employs no persons below the legal age of employment. Global employment policies address the following principles:

- Working conditions – Coats believes that the human rights of its employees at work are an absolute and universal requirement. Coats subscribes to the United Nations Universal Declaration of Human Rights, the Convention of the Rights of the Child, the ILO Conventions and the OECD Guidelines for Multinationals.
- Equal opportunities/non-discrimination – employment decisions are made on the basis of the qualifications, performance record and abilities needed for the work to be undertaken and relevant business circumstances. In particular, this policy covers recruitment, access to training and promotion, transfer, employment termination, discipline, compensation and benefits.
- We are committed to equal opportunities at work; employees must not engage in or support discrimination based on race, colour, language, caste, national origin, indigenous status, religion, disability, gender, marital status, sexual orientation, union membership, political affiliation or age. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable.
- Working environment and occupational health and safety – we are committed to effective health and safety risk management. We strongly believe in providing a safe and healthy working environment in partnership with our employees and this is ensured through participative safety management systems.

The Group's Health and Safety Policy is implemented, publicised and available in all facilities and a Health and Safety Management System is in place to co-ordinate the management of occupational health and safety across the Group.

Coats uses the USA Occupational Safety and Health Administration reporting methodology globally, which produces an index of all reportable health and safety incidents per hundred full time employees. Our global reportable rate compared to that for US Textile Mills for the last six years is set out in the table below:



Furthermore, we recently completed our first worldwide employee survey and are using the results to improve the working environment and employee engagement.

Society

We are committed to ensuring that we are a responsible corporate citizen and in particular:

- Community – on a local basis we support appropriate non-sectarian and non-political projects across a range of organisations. We do this through targeted initiatives for local communities involving sponsorship and employee involvement.
- Marketplace – Coats is committed to ensuring that we operate in our markets to the highest ethical standards. We have a comprehensive Code of Business Conduct to which all senior management and all other appropriate employees must subscribe annually. This policy sets out the manner in which staff must conduct themselves in their dealings with third parties. In addition, we have Competition Policies that set out the correct behaviour in this regard.

We are developing online training programmes to ensure that all appropriate employees are aware of their responsibilities both morally and under the law in respect of competition, corruption and ethics generally and behave consistently with them.

We are driving our corporate social responsibility programme forward not only because we believe in it but also because it is good business practice and will ensure our sustainability for another 250 years.

Directors and advisers



Gary Weiss

Chairman

Appointed a Director in February 2003 and Chairman in 2004, he has considerable experience in the international business scene. He will be an executive director of Guinness Peat Group plc up until 30 April 2011 and is a director of various public companies. He is Chairman of the Remuneration Committee and a member of the Audit Committee.



Paul Forman

Group Chief Executive

Joined the Group in November 2009. For the previous seven years, he was Group Chief Executive of Low & Bonar PLC, a global manufacturer of performance materials, quoted on the London Stock Exchange, and prior to that was a main board director of the Unipart Group of Companies Limited, where his main responsibility was managing the European Automotive Aftermarket Division. He has wide experience in global manufacturing, as well as strategy consultancy and M&A advisory services.



Blake Nixon

Non-Executive Director

Appointed a Director in 2003, he has wide corporate experience in the UK and overseas. He is an executive director of Guinness Peat Group plc. He is Chairman of the Audit Committee and a member of the Remuneration Committee.



Rex Wood-Ward

Non-Executive Director

Appointed a Director in 2003, he has over 35 years international experience in general management, mergers and acquisitions and corporate strategy and has served on the boards of listed companies in South Africa, England and Australia. He is currently chairman of Capral Limited. He is a member of the Audit Committee and the Remuneration Committee.



Mike Allen

Non-Executive Director

Appointed a Director in December 2010, he has over 25 years experience in investment banking and general management, both in New Zealand and the UK. He is a director of Guinness Peat Group plc and of Breakwater Consulting Ltd, Godfrey Hirst NZ Ltd, the Retirement Villages Group NZ, Tainui Group Holdings Ltd and NZ Windfarms Ltd. Mike is also the current chairman of PGG Wrightson Finance Ltd. He is a member of the Audit Committee and the Remuneration Committee.

Company Secretary

Roger Bevan

Auditor

Deloitte LLP

Directors' report

The Directors present their report and the financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Group during the year were the manufacture, processing and distribution of sewing thread for industrial and domestic use.

The subsidiaries and joint ventures principally affecting the profits or net assets of the Group in the year are listed in note M to the Company's accounts.

Business review

A review of the business during the year and of prospective future developments is contained within the Chairman and Chief Executive's review on pages 17 to 21 and the Operating review on pages 24 to 27, which forms part of this Directors' report. The Corporate governance statement on pages 33 to 35 also forms part of this Directors' report.

Going concern

The Directors' consideration of the going concern assumption is discussed on page 42.

Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 37.

The Directors do not recommend the payment of a dividend (2009 – nil).

Directors

Gary Weiss, Paul Forman, Blake Nixon and Rex Wood-Ward all served as Directors throughout the year. Tony Gibbs resigned from the Board on 30 June 2010. Mike Allen was appointed as a Director on 9 December 2010.

Employment practices

Details of the Group's employment practices are set out in the Corporate social responsibility statement on pages 28 and 29.

Research and development

Consistent with our strategy for profitable growth, we have reviewed our research and development infrastructure and increased the resources dedicated to research and development activities. Our work on our proprietary Colour Management Systems development (Colour Stitch) and new coating technologies continues, but our primary focus is shifting towards developing new added value products for traditional and new market areas. During 2010 we initiated some projects developing new products utilising emerging technologies. Work on these, and more projects, will continue during 2011, with some products due to be launched in 2011.

Supplier credit and payment policy

It is the Group's policy that its subsidiaries follow the guidance issued by the CBI regarding Better Payment Practice. A copy of the guidance may be obtained from the CBI. In particular, for all trade creditors it is the Group's policy to:

- agree the terms of payment at the start of business with a supplier;
- ensure suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

Trade creditors of the Group at 31 December 2010 were equivalent to 72 (2009 – 85) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Financial risk management

Details of the financial risk management objectives and policies of the Group, and the exposure of the Group to liquidity risk, capital risk, credit risk, currency risk, interest rate risk and market risk are set out in note 21 to the consolidated financial statements.

UK Pension fund

The Coats Pension Plan is a contributory scheme open to UK employees of the Group and provides benefits additional to those from the State Basic Pension Scheme, whilst enabling members to be contracted out of S2P (State Second Pension). In addition to the normal retirement pension, there are generous benefits payable if members die in service or retire early because of ill health. Members may also receive an early retirement pension on favourable terms, normally from age 55 onwards.

Directors' report (continued)

Insurance for officers of the Group

The Group maintains insurance for officers of the Company and its subsidiaries indemnifying them against certain liabilities incurred by them while acting as officers of the Company and its subsidiaries.

Charitable donations

Payments of \$12,000 (2009 – \$32,000) were made to charities during the year to UK and Overseas recipients.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the Group's auditor and to authorise the Directors to agree their remuneration will be proposed at the Annual General Meeting.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

As the Company is a wholly owned subsidiary of Guinness Peat Group plc, which prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, there is no requirement under Company law for the Company to prepare consolidated financial statements. However, the Directors have elected to prepare consolidated financial statements, and these have been prepared in accordance with IFRS as adopted by the European Union to provide consistency with Guinness Peat Group plc. The Directors have elected to prepare financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

Roger Bevan
Company Secretary
27 April 2011

Corporate governance statement

This report explains the extent to which the Company complied with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Code') in the year. The Company is a wholly owned subsidiary of Guinness Peat Group plc but is nonetheless committed to maintaining high standards of corporate governance and to applying the principles of good governance set out in the Code.

The Board has put in place corporate governance arrangements that it believes are appropriate for the operation of a wholly owned subsidiary. This means that the Company does not adhere to best practice as set out in the Code particularly in relation to the composition of and appointments to the Board. These arrangements are periodically reviewed and will be amended as and when the Board considers appropriate. In the meantime the Directors are therefore unable to confirm compliance with the Code throughout the year.

The Board

The Company is controlled through its Board of Directors, which takes collective responsibility for the success of the Company. The Board's main objectives are to:

- provide entrepreneurial leadership of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed;
- set the Company's strategic aims;
- ensure that the necessary financial and other resources are in place for the Company to meet those aims; and
- review management performance.

The roles of the Chairman and Group Chief Executive

The roles of the Chairman and the Group Chief Executive are separate and clearly defined.

The Chairman is responsible for running the Board including:

- leading the Board;
- ensuring its effectiveness on all aspects of its role;
- setting its agenda; and
- ensuring that the Board receives accurate, timely and clear information.

The Group Chief Executive is responsible for the running of the Company's business.

No one individual has unfettered powers of decision.

Directors and Directors' independence

The Board currently comprises a Non-Executive Chairman, Gary Weiss, three Non-Executive Directors and one Executive Director, Paul Forman, the Group Chief Executive, who took over from Mike Smithyman on 31 December 2009. The names of the Directors, together with their biographical details, are set out on page 30.

None of the Directors are independent under the definitions of the Code. Gary Weiss and Blake Nixon are also currently directors of Guinness Peat Group plc, of which the Company is a wholly owned subsidiary, and have been Directors of the Company since 2003. Gary Weiss resigned from his role as an executive director of Guinness Peat Group plc with effect from 30 April 2011. Rex Wood-Ward has been a Director of the Company since 2003 and was associated with Chapman International Ltd, a former shareholder of the Company. Mike Allen is also a director of Guinness Peat Group plc, although he is considered independent in that context.

The Chairman and the Non-Executive Directors are not employees of the Company but the Company pays Guinness Peat Group plc a fee for their services.

Board appointments, professional development, performance evaluation and re-election

As noted above the Company is a wholly owned subsidiary of Guinness Peat Group plc and as such does not have a Nominations Committee. There is therefore no formal or transparent process for:

- appointing new Directors; or
- ensuring that they have the appropriate skills or training for the role; or
- periodically evaluating the performance of the Board and its principal committees. As there is no Senior Independent Director, there is no evaluation of the performance of the Chairman.

Directors do not submit themselves for re-election at regular intervals and there are no formal processes for progressive refreshing of the Board.

Corporate governance statement (continued)

Information

The Board meets regularly to perform its duties and is supplied in advance of each meeting with an agenda and papers covering the matters to be considered at the meeting.

The Board had six meetings during 2010 and all Directors who served throughout 2010 attended each scheduled meeting. Tony Gibbs ceased to be a Director on 30 June 2010 and attended the three meetings held during his directorship. Mike Allen was appointed a Director at the final Board meeting of the year held on 9 December 2010 and only attended that meeting. One of the Board meetings was held in North Carolina, USA, close to one of the Group's manufacturing facilities.

The scheduled Board meetings concentrate on strategy, financial and business performance. Additional meetings, including of certain ad hoc committees, were called during the year to deal with specific matters.

In accordance with the Combined Code, the Board has established Audit and Remuneration Committees. All of the committees have written terms of reference, approved by the Board. The terms of reference of the committees are available on request from the Company Secretary.

Conflicts

A Director has a duty under the Companies Act 2006 (the 'Act') to avoid a situation in which he has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company. The Act allows Directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to that effect and the Company's Articles of Association include such provisions. The Board considers each Director's conflicts or potential conflicts of interest. Only Directors that have no interest in the matter under consideration take the relevant decision. In addition, the Board considers each conflict situation separately on its particular facts; considers the conflict situation in conjunction with the rest of a Director's duties under the Act; keeps records and Board minutes as to authorisations granted by Directors and the scope of any approvals given; and regularly reviews conflict authorisations (at least annually). In addition, the Directors are able to impose limits or conditions when giving authorisation if they consider that this is appropriate.

Remuneration Committee

The Remuneration Committee currently comprises the Non-Executive Directors of the Company, i.e. Gary Weiss (Chairman of the Remuneration Committee), Blake Nixon, Rex Wood-Ward and Mike Allen.

The Remuneration Committee met on five occasions during the year ended 31 December 2010 and those meetings were attended by all of the Committee members except as follows:

- Tony Gibbs ceased to be a Director on 30 June 2010 and attended the two meetings during his directorship.
- Mike Allen was appointed a Director at the Board meeting held on 9 December 2010 and only attended the final Committee meeting of the year on that day.

The Committee is responsible for recommending to the Board the Company's broad policy for executive remuneration, including both short-term and long-term incentive arrangements, and for reviewing, at least annually, the entire remuneration packages of the Executive Director and certain other senior executives of the Company. No Director is involved in deciding his own remuneration.

The Committee is entitled to obtain, at the expense of the Company, such external advice as it sees fit on any matters falling within its terms of reference.

Audit Committee

The Audit Committee currently comprises Blake Nixon (Chairman of the Committee), Gary Weiss, Rex Wood-Ward and Mike Allen. The Committee collectively has the skills and experience required to fully discharge its duties, and has access to independent advice at the Company's expense.

The Audit Committee is responsible for assisting the Board to discharge its duties with regard to the Company's financial affairs and in particular the presentation of a balanced and understandable assessment of the Company's position and prospects. The Committee also assists the Board in ensuring that it maintains a sound system of internal control to safeguard the shareholder's investment and the Company's assets.

The main role of the Committee is to:

- monitor the integrity of the financial statements of the Company and to review any significant financial reporting judgements contained therein;
- review the Company's internal financial controls and internal control systems;
- monitor and review the Company's internal audit function;
- monitor the risks facing the Company and review risk management systems established to deal with them;
- make recommendations to the Board in relation to the re-appointment of the external auditor and the approval of its remuneration and terms of engagement, for the Board to put to the shareholders for their approval at the Annual General Meeting;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services.

The Audit Committee met on three occasions during 2010 and those meetings were attended by all of the Committee members, either in person or by phone. The meetings of the Committee coincide with key dates in the financial reporting and audit cycle. The external auditor, Deloitte LLP, and the Group Head of Internal Audit, who has a direct reporting line to the Audit Committee, attended all of the meetings as did, by invitation, the Group Chief Executive, the Group Chief Financial Officer and the Group Financial Controller. The Audit Committee has the opportunity to meet privately with the external auditor and the Group Head of Internal Audit at least once a year.

The Audit Committee is entitled to obtain, at the expense to the Company, such external advice as it sees fit on any matters falling within its terms of reference.

Risk Management Committee

The Company established a Risk Management Committee in the year to assist the Audit Committee in monitoring and reviewing the risks facing the Company. The Risk Management Committee is chaired by the Group Chief Executive, Paul Forman, and its membership includes senior executives including the Company Secretary and the Group Head of Internal Audit, together with others, such that collectively they have the skills and experience required to fully discharge the Committee's duties.

The main role of the Risk Management Committee is to:

- review and challenge the adequacy of the Company's risk management activities including risk mitigation.
- review and challenge the adequacy of the risk management process and systems in operation including:
 - operation of risk mandates and limits;
 - risk reporting (including significant risk reporting);
 - integrity of relevant data;
 - risks adequately identified and measured; and
 - adequacy of risk mitigation process.
- set standards for risk management processes and techniques, and benchmark against industry best practice on a regular basis.
- report periodically on these matters to the Audit Committee.

The Risk Management Committee met once in the year. In future it will meet at least four times a year.

Relations with shareholders

The Company maintains excellent communications with its shareholder, Guinness Peat Group plc, through regular financial and other reporting and the presence on the Board of Guinness Peat Group plc's representatives.

Independent auditor's report to the members of Coats plc

We have audited the Group financial statements of Coats plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 35. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the Group's profit for the year then ended;

- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – uncertainty relating to the amount of a potential liability arising from a European Commission investigation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3(iii) to the financial statements concerning the European Commission competition investigation into alleged market sharing agreements relating to the European haberdashery market. In September 2007, the European Commission imposed a fine of €110.3 million (equivalent to \$147.5 million at 31 December 2010 exchange rates) against the Coats plc Group in relation to these allegations against which Coats plc has lodged an appeal. Significant uncertainty surrounds the ultimate outcome of this matter. The Directors are of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you, if in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Coats plc for the year ended 31 December 2010.

Peter O'Donoghue FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 April 2011

Consolidated income statement

		2010			2009		
		Before exceptional items \$m	Exceptional items (see note 5) \$m	Total \$m	Before exceptional items \$m	Exceptional items (see note 5) \$m	Total \$m
For the year ended 31 December 2010	Notes						
Continuing operations							
Revenue	4	1,583.6	–	1,583.6	1,408.3	–	1,408.3
Cost of sales		(990.0)	(20.4)	(1,010.4)	(894.3)	(49.5)	(943.8)
Gross profit		593.6	(20.4)	573.2	514.0	(49.5)	464.5
Distribution costs		(270.7)	–	(270.7)	(253.2)	–	(253.2)
Administrative expenses		(190.9)	–	(190.9)	(166.1)	–	(166.1)
Other operating income	4	0.3	6.1	6.4	1.2	7.9	9.1
Operating profit	5&6	132.3	(14.3)	118.0	95.9	(41.6)	54.3
Share of profits of joint ventures		0.4	–	0.4	0.5	–	0.5
Investment income	8	4.7	–	4.7	1.7	–	1.7
Finance costs	9	(15.7)	(26.0)	(41.7)	(20.1)	(22.5)	(42.6)
Profit before taxation		121.7	(40.3)	81.4	78.0	(64.1)	13.9
Taxation	10	(44.5)	2.3	(42.2)	(33.1)	0.7	(32.4)
Profit/(loss) from continuing operations		77.2	(38.0)	39.2	44.9	(63.4)	(18.5)
Discontinued operations							
Loss from discontinued operations	11	–	–	–	(3.5)	–	(3.5)
Profit/(loss) for the year		77.2	(38.0)	39.2	41.4	(63.4)	(22.0)
Attributable to:							
EQUITY SHAREHOLDERS OF THE COMPANY	28	71.5	(37.6)	33.9	36.2	(63.2)	(27.0)
Non-controlling interests		5.7	(0.4)	5.3	5.2	(0.2)	5.0
		77.2	(38.0)	39.2	41.4	(63.4)	(22.0)

Consolidated statement of comprehensive income

	Notes	2010 \$m	2009 \$m
For the year ended 31 December 2010			
Profit/(loss) for the year		39.2	(22.0)
Cash flow hedges:			
Losses arising during the year		(7.0)	(2.6)
Transferred to profit or loss on cash flow hedges		7.0	6.6
Exchange differences on translation of foreign operations		8.1	32.5
Acquisition of part of a non-controlling interest		0.1	1.9
Actuarial losses in respect of retirement benefit schemes	33	(26.6)	(3.6)
Tax relating to components of other comprehensive income	24	(0.3)	(0.3)
Other comprehensive income and expense for the year		(18.7)	34.5
Total comprehensive income and expense for the year	29	20.5	12.5
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY		15.2	7.5
Non-controlling interests		5.3	5.0
		20.5	12.5

Consolidated statement of financial position

At 31 December 2010	Notes	2010 \$m	2009 \$m
Non-current assets			
Intangible assets	12	258.2	264.7
Property, plant and equipment	13	425.1	444.7
Investments in joint ventures and associates	15	13.7	14.2
Available-for-sale investments	20	2.9	3.0
Deferred tax assets	24	13.7	14.6
Pension surpluses	33	49.1	42.9
Trade and other receivables	17	18.5	22.5
		781.2	806.6
Current assets			
Inventories	16	304.0	248.3
Trade and other receivables	17	314.8	278.9
Current income tax assets		4.9	5.9
Available-for-sale investments	20	0.2	0.2
Cash and cash equivalents	30	141.8	135.0
		765.7	668.3
Non-current assets classified as held for sale	11	2.5	1.1
Total assets		1,549.4	1,476.0
Current liabilities			
Trade and other payables	18	(362.4)	(331.2)
Current income tax liabilities		(9.0)	(9.9)
Bank overdrafts and other borrowings	19	(113.7)	(103.7)
Provisions	22	(108.2)	(99.4)
		(593.3)	(544.2)
Net current assets		172.4	124.1
Non-current liabilities			
Amounts owed to parent undertaking (subordinated and convertible)	23	(199.2)	(173.2)
Trade and other payables	18	(17.6)	(20.6)
Deferred tax liabilities	24	(33.8)	(28.8)
Borrowings	19	(270.0)	(289.8)
Retirement benefit obligations:			
Funded schemes	33	(1.2)	(3.0)
Unfunded schemes	33	(87.0)	(89.7)
Provisions	22	(35.7)	(32.0)
		(644.5)	(637.1)
Total liabilities		(1,237.8)	(1,181.3)
Net assets		311.6	294.7
Equity			
Share capital	25	137.9	137.9
Equity reserve	26	141.1	141.1
Hedging and translation reserves	27	16.4	8.3
Retained loss	28	(1.1)	(8.2)
EQUITY SHAREHOLDERS' FUNDS	29	294.3	279.1
Non-controlling interests	29	17.3	15.6
Total equity	29	311.6	294.7

The consolidated financial statements of the Group headed by Coats plc, registered number 04620973, were approved by the Board of Directors and authorised for issue on 27 April 2011.

They were signed on its behalf by:

Blake Nixon, Director
27 April 2011

Consolidated statement of changes in equity

	Share capital \$m	Equity reserve \$m	Hedging reserve \$m	Translation reserve \$m	Retained loss \$m	Total \$m
Balance as at 1 January 2009	137.9	141.1	(12.8)	(15.4)	20.8	271.6
Loss for the year	–	–	–	–	(27.0)	(27.0)
Other comprehensive income and expense for the year	–	–	4.0	32.5	(2.0)	34.5
Total comprehensive income and expense for the year	–	–	4.0	32.5	(29.0)	7.5
Balance as at 31 December 2009	137.9	141.1	(8.8)	17.1	(8.2)	279.1
Profit for the year	–	–	–	–	33.9	33.9
Other comprehensive income and expense for the year	–	–	–	8.1	(26.8)	(18.7)
Total comprehensive income and expense for the year	–	–	–	8.1	7.1	15.2
Balance as at 31 December 2010	137.9	141.1	(8.8)	25.2	(1.1)	294.3

Consolidated statement of cash flows

For the year ended 31 December 2010	Notes	2010 \$m	2009 \$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	30	94.2	151.6
Interest paid		(22.9)	(25.4)
Taxation paid		(32.6)	(26.9)
Net cash generated from operating activities		38.7	99.3
Cash inflow/(outflow) from investing activities			
Dividends received from associates and joint ventures		0.9	3.2
Acquisition of property, plant and equipment and intangible assets		(36.5)	(26.7)
Disposal of property, plant and equipment and intangible assets		17.6	14.5
Disposal of financial investments		0.1	0.1
Acquisition of subsidiaries and non-controlling interests		(0.2)	(2.0)
Disposal of subsidiaries	30	(0.9)	0.1
Net cash absorbed in investing activities		(19.0)	(10.8)
Cash outflow from financing activities			
Dividends paid to non-controlling interests		(3.5)	(2.1)
Decrease in debt and lease financing		(16.8)	(46.0)
Net cash absorbed in financing activities		(20.3)	(48.1)
Net (decrease)/increase in cash and cash equivalents		(0.6)	40.4
Net cash and cash equivalents at beginning of the year		112.7	65.4
Foreign exchange gains on cash and cash equivalents		3.4	6.9
Net cash and cash equivalents at end of the year	30	115.5	112.7
Reconciliation of net cash flow to movement in net debt			
Net (decrease)/increase in cash and cash equivalents		(0.6)	40.4
Cash outflow from change in debt and lease financing		16.8	46.0
Change in net debt resulting from cash flows		16.2	86.4
Other		(2.9)	(2.9)
Foreign exchange		3.3	4.0
Decrease in net debt		16.6	87.5
Net debt at start of year		(258.5)	(346.0)
Net debt at end of year	30	(241.9)	(258.5)

Notes to the consolidated accounts

1. General information

Coats plc is a company incorporated in Great Britain under the Companies Act 2006. The address of its registered office is 1 The Square, Stockley Park, Uxbridge, Middlesex, UB11 1TD.

2. Principal accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The following are the principal policies adopted in preparing the Group financial statements.

(a) Accounting convention and format

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

IFRS 3 (2008) – Business Combinations and IAS 27 (2008) – Consolidated and Separate Financial Statements were both adopted during the year and have been applied prospectively to transactions occurring after 1 January 2010.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IAS 24 (amended) – Related Party Disclosures

IFRIC 14 (amended) – Prepayments of a Minimum Funding Requirement

IFRIC 19 (amended) – Extinguishing Financial Liabilities with Equity Instruments

The adoption of these Standards and Interpretations in future periods is not expected to have a material impact on the financial statements of the Group.

In addition, IFRS 9 – Financial Instruments is in issue but not yet effective and hence has not been applied in these financial statements. Adoption of IFRS 9, scheduled for the year beginning 1 January 2013, will impact both the measurement and disclosures of financial instruments.

(b) Going concern basis

The nature of the Group's operations and its principal activities, together with the factors likely to affect its future development, principal risks and uncertainties, performance and position are set out in the Chairman and Chief Executive's review on pages 17 to 21 and the Operating review on pages 24 to 27 and the Directors' report on pages 31 and 32.

The Directors have made enquiries into the adequacy of the Group's financial resources, through a review of the current financial projections, reorganisation and capital expenditure plans and the financing facilities available. The Group's forecasts and projections take account of reasonably possible changes in trading performance. Giving due consideration to the financial resources available to the Group, the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reaching their view on going concern, the Directors considered the six categories of risk described in more detail in note 21 to the financial statements.

(c) Basis of consolidation

(i) Subsidiaries

The principal subsidiaries are listed in note M to the Company's accounts. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The effective date is when control passes to or from the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control.

(ii) Associates

The Group's investment in associates is accounted for under the equity method of accounting. Associates are entities in which the Group has the ability to exert significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value. The income statement reflects the share of the profit or losses after taxation of associates. If the Group's share of losses exceeds the carrying amount of an associated undertaking, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the undertaking.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of comprehensive income.

(iii) Joint ventures

Joint ventures are entities in which the Group has joint control, shared with a party outside the Group. The Group reports its interests in joint ventures using the equity method as allowed under the 'alternative accounting rules' set out in IAS 31 – Interests in Joint Ventures.

2. Principal accounting policies (continued)

(d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

(e) Foreign currencies

(i) Subsidiary undertakings

The balances and transactions of subsidiary undertakings are recorded in the functional currency of that subsidiary. Currencies other than the functional currency of the subsidiary are foreign currencies.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end. All currency differences are taken to the income statement with the exception of differences on receivables and payables that represent a net investment in a foreign operation, which are taken directly to equity until disposal of the net investment, at which time they are recycled through the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

(ii) On consolidation

Given the markets in which the Group operates and the global dimension of the business, the US dollar is the functional currency of the Group. The Group's results in these financial statements are therefore prepared in US dollars, the presentation currency of the Group.

The assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the period end and their income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recycled through the income statement.

Goodwill and fair value adjustments arising on acquisition of a subsidiary are regarded as assets and liabilities of the subsidiary and are expressed in the functional currency of the subsidiary.

The principal exchange rates (to the US dollar) used in preparing these accounts are as follows:

		2010	2009
Average	Sterling	0.65	0.64
	Euro	0.75	0.72
Year end	Sterling	0.64	0.62
	Euro	0.75	0.70

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments.

(ii) Leased assets

Finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased items, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings:		
Freehold and long leasehold buildings	2%	
Short leasehold property	over period of lease	
Fixtures and equipment:		
Motor vehicles	20%	
Electronic office equipment	25%	
All other plant and machinery	5 to 25%	

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

Notes to the consolidated accounts

2. Principal accounting policies (continued)**(g) Intangible assets****(i) Goodwill**

Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Details of the annual goodwill impairment review are provided in note 12.

(ii) Brands

Brands with indefinite useful lives are carried at cost less impairment.

(iii) Other intangibles

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of up to five years.

(iv) Research and development

All research and development costs are expensed as they are incurred.

(h) Impairment of tangible and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised as an expense.

The reversal of an impairment loss is recognised immediately as income.

(i) Investments

Investments are recognised and derecognised on a trade date basis and are initially measured at fair value plus directly attributable transaction costs. Investments are classified as either short-term or long-term available-for-sale investments, and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period. Impairment losses recognised in the income statement for equity investments classified as long-term investments are not subsequently reversed through the income statement.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials are valued at cost on a first-in, first-out basis.
- Finished goods and work in progress are valued based on the cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow moving and defective inventories.

(k) Employee benefits**(i) Retirement and other post-employment obligations**

The retirement and other post-employment benefit obligations recognised in the statement of financial position in respect of defined benefit plans are the present value of the defined benefit obligations at the year end less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged directly to equity. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

2. Principal accounting policies (continued)

(k) Employee benefits (continued)

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Share-based compensation

The Group operates cash-settled share-based compensation plans. Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Other employee benefits

Employee entitlements to salaries, wages and annual leave (included in accruals), to be settled within one year of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

The amount recognised as a liability for compensation payable under long-term incentive schemes is the present value of the obligation at each reporting date, based on remuneration rates that are expected to be payable.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that provision. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the period end, and are discounted to present value where the effect is material.

Provisions are only made for losses arising as a result of restructuring when the Group is legally or constructively obligated to implement the restructuring.

(m) Taxation

The tax expense represents the sum of current and deferred tax.

Tax is recognised in the income statement except where it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured on a non-discounted basis. The following temporary differences are not provided for: goodwill not deducted for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the year end. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Notes to the consolidated accounts

2. Principal accounting policies (continued)**(o) Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument.

(i) Trade receivables

Trade receivables are recognised and carried at fair value, being the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(ii) Trade payables

Trade payables that are not interest bearing are stated at the fair value of the amount of the consideration payable. Trade payables with deferred payment terms that effectively constitute a financing transaction are stated at the fair value of the consideration payable. The difference between the fair value and the amount of the consideration payable is recognised as a finance cost in the income statement using the effective interest method.

(iii) Financial liabilities and equity instruments

Financial items and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Preference shares have been classified as financial liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible loans are regarded as compound financial instruments, consisting of a liability and an equity component. At the date of issue or at the date of a substantial modification to the terms of a convertible loan, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible loans. The difference between the proceeds of the issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market rate at the date of issue for a similar non-convertible loan to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan.

The amounts owed to the parent undertaking, which are subordinated, convertible at the option of the lender and are non interest bearing are regarded as a compound financial instrument and accounted for in accordance with IAS 32 – Financial Instruments: Presentation and Disclosure and IAS 39 – Financial Instruments: Measurement and Recognition.

The fair value of the liability component was originally determined as at the date of issue of the amounts owed to the parent undertaking in March 2004 and was subsequently determined in June 2008, the date of a substantial modification of the terms of the compound financial instrument, and the equity conversion component represents the balance of the proceeds received. The fair value of the liability component as at the date of the substantial modification, included in non-current liabilities, was calculated using a discounted cash flow analysis of future cash flows, applying an effective interest rate of 15% which the Group considered was a comparable rate based on prevailing market rates for similar non-convertible instruments at the date of the substantial modification. The liability component is accounted for on an amortised cost basis.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement.

(v) Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

2. Principal accounting policies (continued)

(o) Financial instruments (continued)

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

(p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, net cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(q) Revenue and income recognition

Revenue comprises the fair value of the sale of goods, net of VAT, discounts and after eliminating sales within the Group. Sales of goods are recognised in revenue when the associated risks and rewards of ownership of the goods have been transferred to the buyer.

Income from sales of property is recognised on completion when legal title of the property passes to the buyer.

Income from available-for-sale investments is recognised when the legal entitlement vests.

(r) Operating profit

Operating profit is stated after charging restructuring costs and crediting property profits but before the share of results of associates and joint ventures and before investment income and finance costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(i) Goodwill

In testing for impairment, certain assumptions, both concerning the future development of the business and which are consistent with its annual budget and strategic plan, have been made. Should these assumptions not be met, then it is possible that goodwill included in the statement of financial position could become impaired.

(ii) Pension and other post-employment obligations

The retirement benefit obligations recognised in the statement of financial position in respect of defined benefit pension plans are the present value of the defined benefit obligations at the year end less the fair value of any plan assets. Key assumptions involved in the determination of the present value of the defined benefit obligations include discount rates, mortality and pensions in payment inflation rates. Changes in any or all of these assumptions could materially change the retirement benefit obligations recognised in the statement of financial position. A sensitivity analysis relating to the Group's major defined benefit pension arrangements is included in note 33.

(iii) Provisions in respect of European Commission investigation

As set out in note 22, provisions have been made in respect of the European Commission's investigation into the European thread and haberdashery markets. In September 2007, a fine of €110.3 million (equivalent to \$147.5 million at 31 December 2010 exchange rates) was imposed against the Coats plc Group by the European Commission in respect of its allegation of a market sharing agreement in the European haberdashery market against which an appeal has been lodged by the Coats plc Group. Significant uncertainty surrounds the ultimate outcome of this matter. The Directors are of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions.

Notes to the consolidated accounts

4. Revenue and other operating income

An analysis of the Group's revenue, as defined by IAS 18, is as follows:

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Sales of goods – continuing operations	1,583.6	1,408.3
Investment income (note 8)	4.7	1.7
Other income	0.3	1.2
	1,588.6	1,411.2

Other operating income as reported in the consolidated income statement includes:

Other income (as above)	0.3	1.2
Profit on the sale of property	6.1	7.5
Profit on disposal of business	–	0.4
	6.4	9.1

A geographical analysis of the Group's revenue of \$1,583.6 million (2009 – \$1,408.3 million) is provided on pages 24 and 25.

5. Exceptional items

Exceptional items are material items of income or expense that are disclosed separately due to their nature or amount. They are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

Exceptional items charged/(credited) to the consolidated income statement relating to continuing operations are as follows:

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Cost of sales:		
Reorganisation costs and impairment of property, plant and equipment and computer software	19.8	49.0
US environmental costs – see note 31	2.5	–
Foreign exchange (gains)/losses	(1.9)	0.5
	20.4	49.5
Other operating income:		
Profit on the sale of property	(6.1)	(7.5)
Profit on disposal of business	–	(0.4)
	(6.1)	(7.9)
Finance costs:		
Notional interest on amounts owed to parent undertaking (subordinated and convertible) – see note 23	26.0	22.5
Taxation on exceptional items	(2.3)	(0.7)
	38.0	63.4

6. Operating profit

In addition to the exceptional items above, operating profit has been arrived at after charging/(crediting):

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Depreciation of property, plant and equipment	50.1	52.2
Amortisation of computer software included in administrative expenses	8.5	7.1
Amortisation of computer software included in cost of sales	0.3	1.1
Negative goodwill arising on acquisitions	–	(0.6)
Research and development expenditure	0.6	0.6
Cost of inventories recognised as an expense	571.8	531.4
Net foreign exchange gains	(0.2)	(1.1)
Auditors' remuneration (see note below)	3.6	3.3

Note

Total auditors' remuneration on a worldwide basis is as follows:

Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.3	0.3
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	2.2	2.2
Services relating to taxation:		
– Advisory	0.3	0.2
– Compliance	0.1	0.1
All other services	0.7	0.5
	3.6	3.3

7. Staff costs

The average monthly number of employees was:

	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number
Continuing operations:		
Direct	13,178	12,685
Indirect	2,771	2,707
Other staff	5,802	5,832
	21,751	21,224
Comprising:		
Continuing operations:		
UK	219	261
Overseas	21,532	20,963
	21,751	21,224
The total numbers employed at the end of the year were:		
Continuing operations:		
UK	211	241
Overseas	21,944	20,362
	22,155	20,603

Notes to the consolidated accounts

7. Staff costs (continued)

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Their aggregate remuneration comprised:		
Continuing operations:		
Wages and salaries	314.3	287.6
Social security costs	41.0	38.2
Other pension costs (note 33)	16.3	14.3
	371.6	340.1

The Company and the Group accounts include a charge for the year of \$5.6 million (2009 – nil) and a liability as at 31 December 2010 of \$5.6 million (2009 – nil) for compensation payable under a long-term incentive scheme. As at 31 December 2009, the Company and the Group accounts included a liability of \$0.1 million for cash-settled share-based payments.

8. Investment income

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Interest receivable and similar income	3.5	1.4
Income from other investments	1.2	0.3
	4.7	1.7

9. Finance costs

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Non-exceptional items		
Amounts payable to parent undertakings in respect of a receivables assignment agreement	–	0.7
Interest on bank loans and overdrafts	22.4	26.2
Interest on other borrowings	1.2	1.9
Net return on pension scheme assets and liabilities (note 33)	(14.0)	(14.4)
Unwinding of discounts on provisions	0.7	0.6
Net (gains)/losses on derivatives held at fair value through income statement	(1.3)	0.6
Other	6.7	4.5
	15.7	20.1
Exceptional items		
Notional interest on amounts owed to parent undertaking (subordinated and convertible) – see note 23	26.0	22.5
	41.7	42.6

10. Taxation

	Year ended 31 December 2010		Year ended 31 December 2009	
	\$m	\$m	\$m	\$m
UK taxation based on profit for the year:				
Corporation tax at 28% (2009 – 28%)		3.7		8.8
Double taxation relief		(3.7)		(8.8)
Total UK taxation		–		–
Overseas taxation:				
Current taxation		35.8		28.5
Deferred taxation (note 24)		6.9		7.2
		42.7		35.7
Prior year adjustments:				
Current taxation	–		0.3	
Deferred taxation (note 24)	(0.5)		(3.6)	
		(0.5)		(3.3)
		42.2		32.4

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The total tax charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Profit before taxation	81.4	13.9
Tax at the UK corporation tax rate of 28% (2009 – 28%)	22.8	3.9
Adjusted for the effects of:		
Adjustments in respect of prior years	(0.5)	(3.3)
Deferred tax benefit not provided	15.2	24.4
Expenses not deductible for tax purposes	10.7	10.9
Withholding tax on remittances	5.1	5.8
Utilisation of brought forward losses not previously recognised	(2.2)	(2.0)
Lower rates of tax on overseas earnings	(3.3)	(4.6)
Income not liable to taxation	(2.9)	(3.5)
Other	(2.7)	0.8
	42.2	32.4

11. Discontinued operations and non-current assets classified as held for sale

The results of discontinued operations are as follows:

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Expenses, including lease related amounts, attributable to discontinued operations	(1.2)	(3.7)
Profit on disposal of properties from discontinued operations	1.2	0.2
Net loss attributable to discontinued operations	–	(3.5)

Non-current assets classified as held for sale of \$2.5 million (2009 – \$1.1 million) consist of surplus properties in both the current and prior years.

Notes to the consolidated accounts

12. Intangible assets

	Goodwill \$m	Brands \$m	Computer software \$m	Total \$m
Cost				
At 1 January 2009	237.0	6.7	72.9	316.6
Exchange difference	–	0.3	2.1	2.4
Additions	–	–	5.9	5.9
Disposals	–	–	(1.6)	(1.6)
At 31 December 2009	237.0	7.0	79.3	323.3
At 1 January 2010	237.0	7.0	79.3	323.3
Exchange difference	–	0.1	(1.6)	(1.5)
Additions	–	–	3.0	3.0
Disposals	–	–	(2.9)	(2.9)
At 31 December 2010	237.0	7.1	77.8	321.9
Amortisation and impairment				
At 1 January 2009	0.1	0.5	49.3	49.9
Exchange difference	–	–	1.6	1.6
Charge for the year	–	–	8.2	8.2
Impairment	–	–	0.1	0.1
Disposals	–	–	(1.2)	(1.2)
At 31 December 2009	0.1	0.5	58.0	58.6
At 1 January 2010	0.1	0.5	58.0	58.6
Exchange difference	–	–	(1.3)	(1.3)
Charge for the year	–	–	8.8	8.8
Impairment	–	–	0.5	0.5
Disposals	–	–	(2.9)	(2.9)
At 31 December 2010	0.1	0.5	63.1	63.7
Net book value				
At 31 December 2010	236.9	6.6	14.7	258.2
At 31 December 2009	236.9	6.5	21.3	264.7

At 31 December 2010 the carrying amount of the Group's computer software included an amount of \$0.2 million (2009 – \$0.2 million) in respect of assets held under finance leases.

The Directors consider that the goodwill and brands will generate benefits for the Group for an indefinite period. Consequently, the Group's goodwill and brands are considered to have indefinite lives and have not been amortised.

The recoverable amounts of goodwill and brands have been estimated on a value in use basis using cash flow projections derived from recent budgets and forecasts covering the period to 31 December 2013, applying a pre-tax weighted average cost of capital of 15% (2009 – 14%) and a terminal value including no growth.

The Group has conducted a sensitivity analysis on the recoverable amounts of goodwill and brands. An increase in the pre-tax weighted average cost of capital to 19% (2009 – 20%) would result in the recoverable amounts of goodwill and brands being reduced to their carrying value.

13. Property, plant and equipment

	Land and buildings \$m	Fixtures and equipment \$m	Total \$m
Cost			
At 1 January 2009	230.1	890.4	1,120.5
Exchange difference	12.0	50.0	62.0
Additions	2.9	15.2	18.1
Reclassifications to non-current assets held for sale	(1.7)	–	(1.7)
Other reclassifications	(2.6)	2.6	–
Disposals	–	(58.4)	(58.4)
At 31 December 2009	240.7	899.8	1,140.5
At 1 January 2010	240.7	899.8	1,140.5
Exchange difference	(1.9)	2.3	0.4
Additions	2.9	35.4	38.3
Reclassifications to non-current assets held for sale	(22.0)	–	(22.0)
Other reclassifications	(0.2)	0.2	–
Disposals	–	(39.8)	(39.8)
At 31 December 2010	219.5	897.9	1,117.4
Accumulated depreciation and impairment			
At 1 January 2009	93.1	566.5	659.6
Exchange difference	4.9	36.0	40.9
Charge for the year	6.3	45.9	52.2
Impairment	–	0.2	0.2
Other reclassifications	(4.3)	4.3	–
Disposals	–	(57.1)	(57.1)
At 31 December 2009	100.0	595.8	695.8
At 1 January 2010	100.0	595.8	695.8
Exchange difference	(1.4)	(0.8)	(2.2)
Charge for the year	6.2	43.9	50.1
Impairment	–	0.5	0.5
Reclassifications to non-current assets held for sale	(13.8)	–	(13.8)
Other reclassifications	(0.3)	0.3	–
Disposals	–	(38.1)	(38.1)
At 31 December 2010	90.7	601.6	692.3
Net book value			
At 31 December 2010	128.8	296.3	425.1
At 31 December 2009	140.7	304.0	444.7

The carrying amount of the Group's fixtures and equipment includes an amount of \$0.1 million (2009 – \$0.1 million) in respect of assets held under finance leases.

Property, plant and equipment with a net book value of \$8.7 million (2009 – \$10.1 million) has been pledged to secure borrowings of the Group (see note 21).

As at 31 December 2010, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to \$4.4 million (2009 – \$2.7 million).

As at 31 December 2010, the Group had idle assets amounting to \$0.2 million (2009 – \$0.6 million).

14. Subsidiaries

Principal subsidiary undertakings, including name, country of incorporation and proportion of ownership interest, are given in note M to the Company's accounts.

Notes to the consolidated accounts

15. Investments in joint ventures and associates

	Joint ventures \$m	Associates \$m	Total \$m
Cost			
At 1 January 2009 and 31 December 2010	13.4	0.2	13.6
Share of profits/(losses) retained			
At 1 January 2009	2.5	(0.2)	2.3
Share of profits for the year	0.5	–	0.5
Dividends paid	(2.2)	–	(2.2)
At 31 December 2009	0.8	(0.2)	0.6
At 1 January 2010	0.8	(0.2)	0.6
Share of profits for the year	0.4	–	0.4
Dividends paid	(0.9)	–	(0.9)
At 31 December 2010	0.3	(0.2)	0.1
Net book value			
At 31 December 2010	13.7	–	13.7
At 31 December 2009	14.2	–	14.2

The aggregated amounts (representing 100% of the entity's balances) relating to joint ventures and associates are:

	2010 \$m	2009 \$m
Aggregated amounts relating to joint ventures		
Total assets	39.1	32.3
Total liabilities	(11.7)	(3.8)
Revenues	48.3	39.3
Profit after taxation	0.8	1.1
Aggregated amounts relating to associates		
Total assets	20.0	27.4
Total liabilities	(20.0)	(27.4)
Revenues	14.2	11.4

Principal joint ventures and associates, including name, country of incorporation and proportion of ownership interest, are given in note M to the Company's accounts.

16. Inventories

	2010 \$m	2009 \$m
Raw materials	71.5	67.4
Work-in-progress	79.8	71.0
Finished goods	152.7	109.9
	304.0	248.3

As at 31 December 2010, inventories of \$0.6 million (2009 – \$1.1 million) had been pledged to secure the borrowings of the Group (see note 21).

17. Trade and other receivables

	2010 \$m	2009 \$m
Non-current assets		
Taxation recoverable	1.2	7.9
Derivative financial instruments	2.1	–
Other receivables	15.2	14.6
	18.5	22.5
Current assets		
Trade receivables	261.6	225.5
Due from joint ventures and associates	1.0	1.0
Prepayments and accrued income	14.9	14.9
Derivative financial instruments	4.7	1.7
Pension surpluses	2.4	8.1
Other receivables	30.2	27.7
	314.8	278.9

The ageing of overdue trade receivables is as follows:

	2010 \$m	2009 \$m
Amounts due up to 1 month beyond trade credit period	23.0	23.1
Amounts due between 1 and 2 months beyond trade credit period	6.8	8.0
Amounts due between 2 and 3 months beyond trade credit period	3.3	3.1
Amounts due between 3 and 6 months beyond trade credit period	4.0	6.5
Amounts due more than 6 months beyond trade credit period	17.0	18.1
Gross amounts due beyond trade credit period	54.1	58.8
Provisions	(19.8)	(22.9)
Amounts due beyond trade credit period net of provisions	34.3	35.9
Trade receivables within credit period	228.0	190.4
Trade receivables	262.3	226.3
Included in non-current assets	0.7	0.8
Included in current assets	261.6	225.5
	262.3	226.3

Movements in provisions:

	2010 \$m	2009 \$m
At 1 January	22.9	21.8
Exchange difference	(0.5)	1.0
Amounts charged to the consolidated income statement	0.8	3.6
Utilised	(3.4)	(3.5)
At 31 December	19.8	22.9

Derivative financial instruments within Group non-current and current assets comprise:

	2010 \$m	2009 \$m
Fair value through the income statement:		
Foreign exchange contracts	4.7	1.7
Cash flow hedges:		
Interest rate swaps	2.1	–
	6.8	1.7

The fair values of these financial instruments have been calculated by marking-to-market using appropriate market interest and foreign currency rates prevailing at the year end.

Notes to the consolidated accounts

18. Trade and other payables

	2010 \$m	2009 \$m
Current liabilities		
Trade creditors	231.3	213.1
Amounts due to parent undertaking	0.5	0.2
Due to joint ventures and associates	11.6	6.3
Other taxes and social security payable	6.2	10.9
Accruals and deferred income	75.0	68.6
Derivative financial instruments	6.6	6.7
Other creditors	31.2	25.4
	362.4	331.2
Non-current liabilities		
Tax liabilities	11.7	15.1
Derivative financial instruments	5.9	5.4
Other creditors	–	0.1
	17.6	20.6

Derivative financial instruments within Group non-current and current liabilities comprise:

	2010 \$m	2009 \$m
Fair value through the income statement:		
Foreign exchange contracts	1.6	3.1
Cash flow hedges:		
Interest rate swaps	10.9	9.0
	12.5	12.1

The fair values of these financial instruments have been calculated by marking-to-market using appropriate market interest and foreign currency rates prevailing at the year end.

19. Bank overdrafts and other borrowings

	2010 \$m	2009 \$m
Bank overdrafts	26.3	22.3
Loans	357.2	370.9
Obligations under finance leases	0.2	0.3
	383.7	393.5

Bank overdrafts are repayable on demand. The bank overdraft and other borrowings are repayable as follows:

On demand or within one year	113.7	103.7
In the second year	39.4	60.1
In the third to fifth years inclusive	228.7	226.6
After five years	1.9	3.1
	383.7	393.5
Less: Amount due for settlement within one year (shown under current liabilities)	(113.7)	(103.7)
Amount due for settlement after more than one year	270.0	289.8

19. Bank overdrafts and other borrowings (continued)

The obligations under finance leases are payable as follows:

	2010		2009	
	Minimum lease payments \$m	Present value of minimum lease payments \$m	Minimum lease payments \$m	Present value of minimum lease payments \$m
Amounts payable under finance leases:				
Within one year	0.1	0.1	0.1	0.1
In the second to fifth years inclusive	0.1	0.1	0.2	0.2
	0.2	0.2	0.3	0.3
Less: Amount due for settlement within one year (shown under current liabilities)		(0.1)		(0.1)
Amount due for settlement after more than one year		0.1		0.2

Analysis of borrowings by currency

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2010					
Bank overdrafts	12.5	2.4	1.0	10.4	26.3
Loans	320.9	2.2	20.6	13.5	357.2
Obligations under finance leases	–	–	0.1	0.1	0.2
	333.4	4.6	21.7	24.0	383.7

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2009					
Bank overdrafts	11.8	2.3	0.3	7.9	22.3
Loans	331.4	1.1	21.2	17.2	370.9
Obligations under finance leases	–	–	0.2	0.1	0.3
	343.2	3.4	21.7	25.2	393.5

Interest rate exposure

The exposure of the borrowings of the Group to interest rate changes and the periods in which the interest rates on the borrowings reprice or mature, whichever is earlier, are as follows:

	In one year or less \$m	In two to five years \$m	Total \$m
At 31 December 2010			
Bank overdrafts	26.3	–	26.3
Loans	357.2	–	357.2
Obligations under finance leases	0.1	0.1	0.2
Total borrowings	383.6	0.1	383.7
Effect of interest rate swaps (note 21)	(190.0)	190.0	–
	193.6	190.1	383.7

Notes to the consolidated accounts

19. Bank overdrafts and other borrowings (continued)

	In one year or less \$m	In two to five years \$m	Total \$m
At 31 December 2009			
Bank overdrafts	22.3	–	22.3
Loans	349.7	21.2	370.9
Obligations under finance leases	0.1	0.2	0.3
Total borrowings	372.1	21.4	393.5
Effect of interest rate swaps (note 21)	(210.0)	210.0	–
	162.1	231.4	393.5

The effective interest rates (including the effect of interest rate swaps) at the year end were as follows:

	2010 %	2009 %
Bank overdrafts	7.0	6.8
Loans	4.2	4.9
Obligations under finance leases	5.0	5.9

Loans of \$336.6 million (2009 – \$349.7 million) have been arranged at floating interest rates. However, the associated cash flow interest rate risk has been mitigated by floating rate to fixed rate swaps with a notional principal of \$210.0 million (2009 – \$260.0 million) as set out in note 21.

Loans of \$20.6 million (2009 – \$21.2 million) are at fixed interest rates and expose the Group to fair value interest rate risk. These loans represent preference shares which are classified as debt.

20. Financial assets and liabilities

Financial assets

The Group's financial assets are summarised below:

	2010 \$m	2009 \$m
Financial assets carried at cost (loans and receivables):		
Cash and cash equivalents	141.8	135.0
Trade receivables (note 17)	262.3	226.3
Other receivables	13.1	9.1
	417.2	370.4
Financial assets carried at fair value through profit or loss:		
Derivative financial instruments (note 17)	4.7	1.7
Other financial assets carried at fair value:		
Derivative financial instruments (note 17)	2.1	–
Available-for-sale investments	3.1	3.2
Total financial assets	427.1	375.3

The Directors consider that the carrying amount of financial assets approximates to their fair value.

Analysis of financial assets excluding derivatives by currency

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2010					
Cash and cash equivalents	26.0	7.1	0.1	108.6	141.8
Trade receivables	80.1	48.3	6.7	127.2	262.3
Other receivables	3.6	1.0	1.0	7.5	13.1
Available-for-sale investments	0.1	2.1	–	0.9	3.1
	109.8	58.5	7.8	244.2	420.3

20. Financial assets and liabilities (continued)

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2009					
Cash and cash equivalents	20.7	7.2	0.6	106.5	135.0
Trade receivables	72.9	48.5	5.3	99.6	226.3
Other receivables	1.7	1.9	–	5.5	9.1
Available-for-sale investments	0.1	2.3	–	0.8	3.2
	95.4	59.9	5.9	212.4	373.6

Currency profile of foreign exchange derivatives

The currency profile of the Group's foreign exchange derivatives on a gross basis is as follows:

	2010		2009	
	Receivable \$m	Payable \$m	Receivable \$m	Payable \$m
US dollars	59.5	129.1	89.6	111.5
Euro	33.4	62.4	50.1	73.0
Sterling	47.5	–	39.5	–
Other	74.5	20.3	21.6	17.7
	214.9	211.8	200.8	202.2

Interest rate profile of cash and cash equivalents and available-for-sale investments

	Floating rate \$m	Non- interest bearing \$m	Total \$m
At 31 December 2010			
Cash and cash equivalents	129.8	12.0	141.8
Available-for-sale investments	1.7	1.4	3.1
	131.5	13.4	144.9

	Floating rate \$m	Non- interest bearing \$m	Total \$m
At 31 December 2009			
Cash and cash equivalents	123.8	11.2	135.0
Available-for-sale investments	1.8	1.4	3.2
	125.6	12.6	138.2

Trade receivables, other receivables and derivative financial instruments are not interest bearing.

Financial liabilities

The Group's financial liabilities are summarised below:

	2010 \$m	2009 \$m
Financial liabilities carried at amortised cost:		
Trade creditors (note 18)	231.3	213.1
Other creditors	22.5	15.1
Bank overdrafts and other borrowings (note 19)	383.7	393.5
Provisions	12.8	14.9
	650.3	636.6
Financial liabilities carried at fair value through profit or loss:		
Derivative financial instruments (note 18)	1.6	3.1
Other financial liabilities carried at fair value:		
Derivative financial instruments (note 18)	10.9	9.0
Total financial liabilities	662.8	648.7

The Directors consider that the carrying amount of financial liabilities approximates to their fair value.

Notes to the consolidated accounts

20. Financial assets and liabilities (continued)**Analysis of financial liabilities excluding derivatives by currency**

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2010					
Trade creditors	105.2	22.8	4.2	99.1	231.3
Other creditors	8.0	5.1	0.3	9.1	22.5
Provisions	–	–	12.8	–	12.8
	113.2	27.9	17.3	108.2	266.6

	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
At 31 December 2009					
Trade creditors	102.7	29.4	2.8	78.2	213.1
Other creditors	5.7	5.4	0.3	3.7	15.1
Provisions	–	–	14.9	–	14.9
	108.4	34.8	18.0	81.9	243.1

The analysis of bank overdrafts and other borrowings by currency is disclosed in note 19.

21. Treasury policy**Financial risk management**

As a result of its multi-national operations, the Group is subject to a variety of financial risks that include liquidity risk, capital risk, credit risk, currency risk, interest rate risk and market risk. The Group's treasury policy, which is determined by the Board of Directors, governs the management of financial risks within the Group. In accordance with the treasury policy, the Group actively monitors and manages its financial risk exposures and the Group's policy for managing these risks is described below. The Group's treasury policy permits the use of financial instruments such as derivatives, where appropriate. However, under the treasury policy speculative transactions are not permitted.

Liquidity risk

The Group is financed primarily through a banking facility subject to guarantees issued by the Company and certain of its principal subsidiaries. As at 31 December 2010, the facility totalled \$545.0 million (2009 – \$585.0 million) of which \$37.0 million (2009 – \$37.0 million) expires within one year, \$37.0 million (2009 – \$37.0 million) expires between one and two years and \$471.0 million (2009 – \$511.0 million) expires between two and five years.

As at 31 December 2010, bank overdrafts and loans of \$8.7 million (2008 – \$10.1 million) are secured on property, plant and equipment and \$0.6 million (2009 – \$1.1 million) are secured on inventories. \$351.3 million of bank overdrafts and loans as at 31 December 2010 (2009 – \$340.7 million) are subject to guarantees issued by the Company and certain of its principal subsidiaries.

In addition the Group has a receivables assignment facility with the Company's parent undertaking, Guinness Peat Group plc. During the year ended 31 December 2010 receivables totalling nil (2009 – \$139.6 million) were assigned under this agreement. At 31 December 2010 the amount of receivables assigned was nil (2009 – \$3.2 million).

The Group actively maintains a mixture of long-term and short-term debt finance through utilisation of the above facilities that is designed to ensure that the Group has sufficient funds for its operations.

Maturity of financial liabilities

The maturity profile of the Group's undiscounted financial liabilities, including all contractual creditors such as trade payables, but excluding tax and other statutory liabilities, is as follows:

	2010 \$m	2009 \$m
On demand or within one year	378.2	348.1
In the second year	47.9	62.8
In the third to fifth years inclusive	228.4	234.6
After five years	12.5	8.2
	667.0	653.7

21. Treasury policy (continued)

Maturity of financial derivatives

The maturity profile of the Group's financial derivatives, including interest rate and foreign exchange swaps, using undiscounted gross cash flows, is as follows:

	2010		2009	
	Receivable \$m	Payable \$m	Receivable \$m	Payable \$m
On demand or within one year	212.2	222.4	202.5	208.0
In the second year	–	4.2	–	2.9
In the third to fifth years inclusive	2.0	1.2	1.6	1.1
	214.2	227.8	204.1	212.0

Capital risk management

The Group manages its capital so as to safeguard business continuity, whilst being able to take advantage of opportunities that arise and which are expected to provide profitable returns for its shareholder and benefits for other stakeholders.

The Group's capital structure comprises cash and cash equivalents, borrowings and share capital and reserves attributable to the equity shareholders of the Company.

Credit risk

The Group's principal financial assets are trade and other receivables, bank balances and investments.

The Group's credit risk is primarily attributable to its trade receivables. Customers requesting credit facilities are subject to a credit quality assessment, which may include a review of their financial strength, previous credit history with the Group, payment habits with other suppliers, bank references and credit rating agency reports. All active customers are subject to an annual, or more frequent if appropriate, review of their credit limits and credit periods. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Group's maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are included in the statement of financial position, including derivatives with positive market values.

Currency risk

Group companies use forward foreign exchange contracts to manage currency exposures arising on transactions and balances which are not in the functional currency of the company.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the Group's income statement. The table excludes loans between Group companies that form part of the net investment in overseas subsidiaries, on which the exchange differences are dealt with through reserves, but includes other Group balances.

Net foreign currency of monetary assets/(liabilities)

At 31 December 2010	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
Functional currency					
US dollars	–	(75.7)	39.1	30.3	(6.3)
Euro	24.7	–	0.2	5.7	30.6
Sterling	–	–	–	0.3	0.3
Other	(45.6)	3.3	–	(3.4)	(45.7)
	(20.9)	(72.4)	39.3	32.9	(21.1)

Notes to the consolidated accounts

21. Treasury policy (continued)

At 31 December 2009	US dollars \$m	Euro \$m	Sterling \$m	Other \$m	Total \$m
Functional currency					
US dollars	–	(83.2)	27.7	17.2	(38.3)
Euro	(4.3)	–	(0.4)	(3.8)	(8.5)
Sterling	(0.2)	(4.0)	–	(0.1)	(4.3)
Other	(31.7)	0.4	0.5	1.4	(29.4)
	(36.2)	(86.8)	27.8	14.7	(80.5)

Exchange rate sensitivity

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The Group's sensitivity to exchange rate movements is as follows:

	2010 \$m	2009 \$m
Impact of Euro strengthening by 9% against the US dollar:		
Decrease in profit before taxation for the year	(9.0)	(7.1)
Increase in equity shareholders' funds	4.3	3.3
Impact of Sterling strengthening by 9% against the US dollar:		
Increase in profit before taxation for the year	3.5	2.5
(Decrease)/increase in equity shareholders' funds	(0.9)	1.6
Impact of all other currencies strengthening by 9% against the US dollar:		
Increase in profit before taxation for the year	6.8	4.4
Increase in equity shareholders' funds	34.7	33.8

The above impacts take into account the effects of any related derivative contracts and assume the change was in force from the beginning of each of the financial years. Exchange rate sensitivity only applies to financial assets and liabilities that are denominated in currencies other than each Group company's own functional currency.

The percentages above represent the Directors' assessment of the reasonably possible change in foreign exchange rates.

Interest rate risk

The Group's debt is largely at floating rate. In order to provide protection from interest rate fluctuations, the Group utilises interest rate swaps to convert a proportion of its floating rate exposure to fixed rates.

As at 31 December 2010 contracts with a principal value totalling \$210.0 million (2009 – \$260.0 million) have fixed interest payments. Contracts with a principal value totalling \$20.0 million mature within one year (2009 – \$50.0 million). At 31 December 2010 additional contracts with a principal value totalling \$110.0 million have been entered into which commence after the year end when certain contracts mature. The contracts have fixed payments at rates between 1.87% and 4.19% (2009 – 1.87% and 4.80%) for periods up until 7 December 2015 (2009 – 14 May 2014) and have floating rate interest receipts.

The fair values of interest rate swaps entered into at 31 December 2010 comprise assets of \$2.1 million (2009 – nil) and liabilities of \$10.9 million (2009 – \$9.0 million). All of these interest rate swaps were designated and effective as cash flow hedges and movements in fair value were taken to equity.

Interest rate sensitivity

The Group is exposed to interest rate risk as companies in the Group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings by the use of interest rate swap contracts.

Impact of a 100 basis point increase in average interest rates for the year:

	2010 \$m	2009 \$m
Decrease in profit before taxation for the year	(0.7)	(1.2)
Increase in equity shareholders' funds	6.5	5.5

The above impacts take into account the effects of related swaps, and assume the change was in force from the beginning of each of the financial years.

21. Treasury policy (continued)

Market risk

The Group has equity and bond available-for-sale investments at 31 December 2010 of \$3.1 million (2009 – \$3.2 million) held for strategic rather than trading purposes. The Group does not actively trade these investments and is not materially exposed to price risks.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets measured at fair value

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2010				
Financial assets at fair value through profit or loss:				
Derivative financial assets	–	4.7	–	4.7
Financial liabilities at fair value through comprehensive income:				
Derivative financial assets	–	2.1	–	2.1
Available-for-sale assets:				
Equity investments	–	–	1.4	1.4
Bonds	1.7	–	–	1.7
	1.7	6.8	1.4	9.9

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2009				
Financial assets at fair value through profit or loss:				
Derivative financial assets	–	1.7	–	1.7
Available-for-sale assets:				
Equity investments	–	–	1.5	1.5
Bonds	1.7	–	–	1.7
	1.7	1.7	1.5	4.9

Financial liabilities measured at fair value

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2010				
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	–	1.6	–	1.6
Financial liabilities at fair value through comprehensive income:				
Derivative financial liabilities	–	10.9	–	10.9
	–	12.5	–	12.5

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
At 31 December 2009				
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	–	3.1	–	3.1
Financial liabilities at fair value through comprehensive income:				
Derivative financial liabilities	–	9.0	–	9.0
	–	12.1	–	12.1

Notes to the consolidated accounts

22. Provisions

	2010 \$m	2009 \$m
Included in current liabilities	108.2	99.4
Included in non-current liabilities	35.7	32.0
Total provisions	143.9	131.4

In September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million (equivalent to \$147.5 million at 31 December 2010 exchange rates). This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

The Directors remain of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions. In accordance with paragraph 92 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the disclosures usually required by IAS 37 are not given as the Directors consider that their disclosure could be seriously prejudicial to the Company.

23. Amounts owed to parent undertaking (non-current liabilities)

The amounts owed to the parent undertaking at 31 December 2010 of \$199.2 million (2009 – \$173.2 million) are convertible into ordinary shares of the Company at par at any time at the option of Coats Group Limited up to the settlement date in June 2013.

The net proceeds received have been split between a liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company. The carrying value of the liability component is as follows:

	2010 \$m	2009 \$m
At 1 January	173.2	150.7
Notional interest charge for the year	26.0	22.5
At 31 December	199.2	173.2

The notional interest charge is calculated by applying an effective interest rate of 15% to the liability component being a comparable rate based on prevailing market rates for similar non-convertible instruments at June 2008, the date of a substantial modification to the terms of the compound financial instrument.

The Directors estimate the fair value of the liability component of amounts owed to the parent undertaking (subordinated and convertible) to be approximately \$208.2 million at 31 December 2010 (2009 – \$184.6 million). This fair value has been calculated by discounting the future cash flows based on market rates prevailing at the respective year ends.

24. Deferred tax

The following are the major deferred tax liabilities/assets) recognised by the Group and movements thereon:

	Accelerated tax depreciation \$m	Retirement benefit obligations \$m	Tax losses \$m	Undistributed reserves \$m	Other temporary differences \$m	Total \$m
At 1 January 2009	24.0	7.4	(16.1)	11.5	(16.5)	10.3
(Credit)/charge to income	(5.7)	(0.8)	11.4	1.4	(2.7)	3.6
Charge to equity	–	0.3	–	–	–	0.3
Exchange differences	0.6	0.3	(0.6)	0.3	(0.6)	–
At 31 December 2009	18.9	7.2	(5.3)	13.2	(19.8)	14.2
At 1 January 2010	18.9	7.2	(5.3)	13.2	(19.8)	14.2
(Credit)/charge to income	(2.3)	1.1	1.9	2.3	3.4	6.4
Charge to equity	–	0.3	–	–	–	0.3
Transfer to current tax	–	–	–	–	(0.6)	(0.6)
Exchange differences	0.1	–	–	–	(0.3)	(0.2)
At 31 December 2010	16.7	8.6	(3.4)	15.5	(17.3)	20.1

24. Deferred tax (continued)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010 \$m	2009 \$m
Deferred tax liabilities	33.8	28.8
Deferred tax assets	(13.7)	(14.6)
	20.1	14.2

At 31 December 2010, the Group has unused income tax losses of \$700.3 million (2009 – \$689.9 million). A deferred tax asset of \$3.4 million (2009 – \$5.3 million) has been recognised in respect of \$12.3 million (2009 – \$15.9 million) of those losses. No deferred tax has been recognised in respect of the remaining \$688.0 million (2009 – \$674.0 million) of such losses, or in respect of capital losses of \$335.0 million (2009 – \$360.7 million) due to the unpredictability of future taxable profit (revenue and capital) streams. Included in unrecognised tax losses are losses of \$61.6 million (2009 – \$72.7 million) that will expire over the next five years if not utilised in that period. Other losses will be carried forward for in excess of ten years or indefinitely.

At 31 December 2010, the Group also has unrecovered advance corporation tax of \$74.6 million (2009 – \$77.0 million) available for offset against future UK profits. No deferred tax asset has been recognised in respect of this due to the uncertainty of recoverability.

At 31 December 2010, the Group also has other unrecognised deferred tax assets arising in certain Group companies where the prospects of recovery are uncertain due to the unpredictability of future taxable profits. These consist of accelerated tax depreciation of nil (2009 – \$2.3 million) and other temporary differences of \$14.0 million (2009 – \$9.3 million).

At 31 December 2010, the aggregate amount of deferred tax liabilities recognised in respect of undistributed earnings of subsidiaries was \$15.5 million (2009 – \$13.2 million). A liability has been recognised because the Group plans to distribute these earnings back to the UK in the near future so that it is probable that the temporary differences associated with undistributed earnings of subsidiaries will reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

25. Share capital

	2010		2009	
	Number of shares	\$m	Number of shares	\$m
Authorised:				
Ordinary shares of £1 each	200,050,100	367.6	200,050,100	367.6
Allotted and fully paid:				
Ordinary shares of £1 each	75,050,100	137.9	75,050,100	137.9

26. Equity reserve

The equity reserve wholly relates to the value of the conversion option of the compound financial instrument as detailed in note 23.

	Equity reserve \$m
Balance at 1 January 2009 and 31 December 2010	141.1

27. Hedging and translation reserve

	Hedging reserve \$m	Translation reserve \$m	Total \$m
Balance at 1 January 2009	(12.8)	(15.4)	(28.2)
Exchange differences on translation of foreign operations	–	32.5	32.5
Decrease in fair value of cash flow hedges	(2.6)	–	(2.6)
Transfer to income	6.6	–	6.6
Balance at 31 December 2009	(8.8)	17.1	8.3
Balance at 1 January 2010	(8.8)	17.1	8.3
Exchange differences on translation of foreign operations	–	8.1	8.1
Decrease in fair value of cash flow hedges	(7.0)	–	(7.0)
Transfer to income	7.0	–	7.0
Balance at 31 December 2010	(8.8)	25.2	16.4

Notes to the consolidated accounts

28. Retained loss

	2010 \$m	2009 \$m
Balance at 1 January	(8.2)	20.8
Net profit/(loss) for the year	33.9	(27.0)
Acquisition of part of a non-controlling interest	0.1	1.9
Actuarial losses in respect of retirement benefit schemes	(26.6)	(3.6)
Tax on items taken directly to equity	(0.3)	(0.3)
Balance at 31 December	(1.1)	(8.2)

29. Reconciliation of closing equity

	2010			2009		
	Equity shareholders of the Company \$m	Non- controlling interests \$m	Total equity \$m	Equity shareholders of the Company \$m	Non- controlling interests \$m	Total equity \$m
Balance at 1 January	279.1	15.6	294.7	271.6	16.7	288.3
Total comprehensive income and expense for the year	15.2	5.3	20.5	7.5	5.0	12.5
Dividends paid	–	(3.5)	(3.5)	–	(2.1)	(2.1)
Acquisition of part of a non-controlling interest	–	(0.1)	(0.1)	–	(1.9)	(1.9)
Investment in subsidiaries	–	–	–	–	(2.3)	(2.3)
Issue of shares to non-controlling interests	–	–	–	–	0.2	0.2
Balance at 31 December	294.3	17.3	311.6	279.1	15.6	294.7

30. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow generated by operations

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Operating profit	118.0	54.3
Depreciation of property, plant and equipment	50.1	52.2
Amortisation of intangible assets (computer software)	8.8	8.2
Reorganisation costs	18.8	48.7
Impairment of property, plant and equipment	0.5	0.2
Impairment of intangible assets (computer software)	0.5	0.1
Other exceptional items	(5.5)	(7.4)
(Increase)/decrease in inventories	(55.6)	59.4
Increase in debtors	(42.4)	(19.6)
Increase in creditors	25.9	8.4
Provision movements	(11.7)	(8.7)
Other non-cash movements	10.4	2.3
Net cash inflow from normal operating activities	117.8	198.1
Net cash outflow in respect of reorganisation costs	(23.6)	(46.5)
Net cash inflow generated by operations	94.2	151.6

30. Notes to the cash flow statement (continued)

(b) Analysis of net debt

	At 31 December 2009 \$m	Cash flow \$m	Other non-cash changes \$m	Exchange \$m	At 31 December 2010 \$m
Cash and cash equivalents	135.0				141.8
Bank overdrafts	(22.3)				(26.3)
Net cash and cash equivalents	112.7	(0.6)	–	3.4	115.5
Loans	(370.9)	16.7	(2.9)	(0.1)	(357.2)
Finance leases	(0.3)	0.1	–	–	(0.2)
Total	(258.5)	16.2	(2.9)	3.3	(241.9)

Net debt is before amounts owed to a parent undertaking (subordinated and convertible) of \$199.2 million (2009 – \$173.2 million) as set out in note 23.

(c) Disposal of subsidiaries

During the year the Group utilised provisions of \$0.9 million in respect of non-core operations disposed of in a prior year and the overall cash outflow in respect of discontinued businesses was \$0.9 million (2009 – \$0.1 million inflow).

31. Contingent liabilities

The US Environmental Protection Agency has notified Coats that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey, in respect of former facilities which operated in that area prior to 1950. Approximately 70 companies to date have formed a cooperating parties group to fund and conduct a remedial investigation and feasibility study of the area. Coats has joined this group and the \$2.5 million exceptional cost charged in the year (see note 5) is in respect of Coats' estimated share of the cost of this study and associated legal and consultancy expenses.

Coats believes that its former facilities which operated in the Lower Passaic River Study Area did not generate the contaminants which are driving the anticipated remedial actions and that this, and other mitigating factors, should result in a reduced share of any exposure for future remedial and other costs. At the present time, there can be no assurance as to the scope of these remedial and other costs nor can Coats predict what its ultimate share will be. Accordingly, no provision has been made for these costs.

32. Operating lease arrangements

	2010 \$m	2009 \$m
The Group as lessee		
Minimum lease payments under operating leases recognised in the income statement for the year	21.4	22.7

At the year end, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 \$m	2009 \$m
Within one year	19.0	18.4
In the second to fifth years inclusive	32.0	34.4
After five years	7.7	14.2
	58.7	67.0

Operating lease payments represent rentals payable by the Group for land and buildings, hire of plant and machinery and contract hire of vehicles.

The Group as lessor

At the year end, the Group had contracted with tenants for the following future minimum lease payments:

	2010 \$m	2009 \$m
Within one year	2.7	2.6
In the second to fifth years inclusive	3.9	5.7
After five years	2.6	2.0
	9.2	10.3

Notes to the consolidated accounts

33. Retirement and other post-employment benefit arrangements**(a) Pension and other post-employment costs**

Pension and other post-employment costs for the year were:

	Year ended 31 December 2010		Year ended 31 December 2009	
	\$m	\$m	\$m	\$m
Defined contribution schemes		3.0		2.2
Defined benefit schemes – UK funded	2.6		2.1	
US funded	2.7		2.6	
Other funded and unfunded	8.0		7.4	
		13.3		12.1
		16.3		14.3

(b) Defined contribution schemes

The Group operates a number of defined contribution plans around the world to provide pension benefits.

(c) Defined benefit schemes

The Group operates a number of defined benefit plans around the world to provide pension and other post-retirement benefits. The principal defined benefit arrangements are those in the UK and in the US and the assets of these plans are held under self-administered trust funds and hence are separated from the Group's assets. The schemes hold no employer related assets.

The Group operates defined benefit schemes in other countries, mainly in Europe. In the majority of cases, as is normal local practice, these schemes are unfunded and provisions are carried in the statements of financial position of the companies concerned.

Pension costs in respect of these plans are assessed in accordance with the advice of independent, professionally qualified actuaries.

The information provided below for defined benefit plans has been prepared by independent qualified actuaries based on the most recent actuarial valuations of the schemes, updated to take account of the valuations of assets and liabilities as at 31 December 2010. For the principal schemes, the date of the most recent actuarial valuations were 1 April 2009 for the UK scheme and 31 December 2010 for the US scheme.

	UK %	US %	Other %
Principal assumptions at 31 December 2010			
Rate of increase in salaries	4.3	4.2	3.1
Rate of increase for pensions in payment	3.1	–	2.0
Discount rate	5.5	5.1	5.1
Inflation assumption	3.3	2.6	2.4

	UK %	US %	Other %
Principal assumptions at 31 December 2009			
Rate of increase in salaries	4.6	4.2	2.8
Rate of increase for pensions in payment	3.3	–	1.9
Discount rate	6.0	5.7	6.5
Inflation assumption	3.6	2.8	2.8

	UK %	US %	Other %
Long-term rate of return expected at 31 December 2010			
Equities	8.3	8.0	9.6
Corporate bonds and gilts	5.0	4.7	4.3
Other	6.7	–	5.1

	UK %	US %	Other %
Long-term rate of return expected at 31 December 2009			
Equities	8.9	8.4	9.9
Corporate bonds and gilts	5.4	4.8	7.0
Other	7.0	–	6.3

33. Retirement and other post-employment benefit arrangements (continued)

(c) Defined benefit schemes (continued)

Long-term rates of return are net of investment expenses. Long-term rates of return have been calculated as the weighted rate of return on each asset class. Rates of return on bonds are weighted by the approximate investment split between government and corporate bonds. The return on each asset class is taken as the market rate of return.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

For the year ended 31 December 2010	UK \$m	US \$m	Other \$m	Group \$m
Current service cost	(2.6)	(2.7)	(8.0)	(13.3)
Included in operating profit	(2.6)	(2.7)	(8.0)	(13.3)
Interest on defined benefit obligations – unwinding of discount	(119.1)	(8.1)	(6.0)	(133.2)
Expected return on pension scheme assets	132.8	12.2	2.2	147.2
Included in finance costs – net return/(charge)	13.7	4.1	(3.8)	14.0

For the year ended 31 December 2009	UK \$m	US \$m	Other \$m	Group \$m
Current service cost	(2.1)	(2.6)	(7.4)	(12.1)
Included in operating profit	(2.1)	(2.6)	(7.4)	(12.1)
Interest on defined benefit obligations – unwinding of discount	(117.4)	(8.6)	(6.2)	(132.2)
Expected return on pension scheme assets	133.7	11.2	1.7	146.6
Included in finance costs – net return/(charge)	16.3	2.6	(4.5)	14.4

The actual return on scheme assets was \$213.5 million (2009 – \$267.9 million) for the UK, \$26.9 million (2009 – \$32.3 million) for the US and \$2.9 million (2009 – \$5.6 million) for other.

The amounts included in the statement of financial position arising from the Group's defined benefit arrangements are as follows:

As at 31 December 2010	UK \$m	US \$m	Other \$m	Total \$m
Equities	711.5	67.0	12.2	790.7
Corporate bonds and gilts	1,357.4	156.3	9.7	1,523.4
Other	120.4	–	8.1	128.5
Total market value of assets	2,189.3	223.3	30.0	2,442.6
Actuarial value of scheme liabilities	(2,170.7)	(153.8)	(121.5)	(2,446.0)
Gross net asset/(liability) in the scheme	18.6	69.5	(91.5)	(3.4)
Adjustment due to surplus cap	(17.1)	(37.5)	(3.2)	(57.8)
Recoverable net asset/(liability) in the scheme	1.5	32.0	(94.7)	(61.2)

This amount is presented in the statement of financial position as follows:

Non-current assets	49.1
Current assets	2.4
Current liabilities	(24.5)
Non-current liabilities	(88.2)
	(61.2)

Notes to the consolidated accounts

33. Retirement and other post-employment benefit arrangements (continued)**(c) Defined benefit schemes (continued)**

	UK \$m	US \$m	Other \$m	Total \$m
As at 31 December 2009				
Equities	703.4	64.3	20.5	788.2
Corporate bonds and gilts	1,341.8	150.2	16.3	1,508.3
Other	119.0	–	7.0	126.0
Total market value of assets	2,164.2	214.5	43.8	2,422.5
Actuarial value of scheme liabilities	(2,135.5)	(144.9)	(143.1)	(2,423.5)
Gross net asset/(liability) in the scheme	28.7	69.6	(99.3)	(1.0)
Adjustment due to surplus cap	(13.7)	(38.4)	–	(52.1)
Recoverable net asset/(liability) in the scheme	15.0	31.2	(99.3)	(53.1)

This amount is presented in the statement of financial position as follows:

Non-current assets	42.9
Current assets	8.1
Current liabilities	(11.4)
Non-current liabilities	(92.7)
	(53.1)

The UK and US schemes are funded arrangements. Of the other schemes' actuarial liabilities as at 31 December 2010, \$97.7 million (2009 – \$99.7 million) related to wholly unfunded arrangements.

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Movements in the present value of defined benefit obligations were as follows:		
At 1 January	(2,423.5)	(2,033.4)
Current service cost	(13.3)	(12.1)
Interest on defined benefit obligations – unwinding of discount	(133.2)	(132.2)
Actuarial gains and losses on obligations	(100.3)	(219.6)
Contributions from members	(0.7)	(0.8)
Benefits paid	158.2	169.7
Settlements and curtailments	–	1.9
Exchange difference	66.8	(197.0)
At 31 December	(2,446.0)	(2,423.5)

Movements in the fair value of scheme assets were as follows:

At 1 January	2,422.5	2,071.8
Expected return on scheme assets	147.2	146.6
Actuarial gains and losses on assets	79.4	159.1
Contributions from members	0.7	0.8
Contribution from sponsoring companies	7.3	10.4
Benefits paid	(151.3)	(164.1)
Settlements and curtailments	–	(1.9)
Exchange difference	(63.2)	199.8
At 31 December	2,442.6	2,422.5

Actuarial gains and losses were as follows:

Actuarial losses on obligations	(100.3)	(219.6)
Actuarial gains on assets	79.4	159.1
Adjustment due to surplus cap	(5.7)	51.1
Exchange difference	–	5.8
Included in the statement of comprehensive income	(26.6)	(3.6)
Cumulative amount included in the comprehensive income	(26.9)	(0.3)

33. Retirement and other post-employment benefit arrangements (continued)

(c) Defined benefit schemes (continued)

For the year ended 31 December 2010, the assumed life expectancy on retirement for males and females retiring today at age 60 is 24.7 years and 27.3 years respectively for the UK scheme and 23.3 years and 25.2 years respectively for the US scheme. The assumed life expectancy on retirement for males and females retiring in 20 years at age 60 is 26.7 years and 29.3 years respectively for the UK scheme and 25.0 years and 26.2 years respectively for the US scheme.

Sensitivities regarding the discount rate and inflation assumptions (the latter of which also impacts the rate of increases in salaries and rate of increase for pension in payments assumptions for the UK scheme) used to measure the liabilities of the principal schemes, along with the impact they would have on the scheme liabilities, are set out below:

	Year ended 31 December 2010		Year ended 31 December 2009	
	+0.1%	-0.1%	+0.1%	-0.1%
	\$m	\$m	\$m	\$m
UK discount rate	(27.6)	28.0	(26.2)	27.6
US discount rate	(1.6)	1.6	(1.6)	1.6
UK inflation rate	23.8	(23.3)	20.3	(20.0)
US inflation rate	–	–	–	–

	Year ended 31 December 2010 Valuation trend		Year ended 31 December 2009 Valuation trend	
	+1%	-1%	+1%	-1%
	\$m	\$m	\$m	\$m
Sensitivity of medical schemes to medical cost trend rate assumptions:				
Effect on total service cost and interest cost components of other schemes	0.1	(0.1)	0.1	(0.1)
Effect on defined benefit obligation of other schemes	0.2	(0.2)	0.3	(0.2)

History of experience adjustments

	UK \$m	US \$m	Other \$m
For the year ended 31 December 2010 these were:			
Present value of defined benefit obligations	(2,170.7)	(153.8)	(121.5)
Fair value of scheme assets	2,189.3	223.3	30.0
Net asset/(liability) in respect of the scheme	18.6	69.5	(91.5)
Experience gains and losses on scheme liabilities	(24.7)	(4.8)	0.2
Percentage of scheme liabilities	(1)%	(3)%	–
Difference between the expected and actual return on pension scheme assets	80.7	14.7	0.7
Percentage of scheme assets	4%	7%	2%

	UK \$m	US \$m	Other \$m
For the year ended 31 December 2009 these were:			
Present value of defined benefit obligations	(2,135.5)	(144.9)	(143.1)
Fair value of scheme assets	2,164.2	214.5	43.8
Net asset/(liability) in respect of the scheme	28.7	69.6	(99.3)
Experience gains and losses on scheme liabilities	42.7	(2.4)	1.5
Percentage of scheme liabilities	2%	(2)%	1%
Difference between the expected and actual return on pension scheme assets	134.2	21.1	3.9
Percentage of scheme assets	6%	10%	9%

Notes to the consolidated accounts

33. Retirement and other post-employment benefit arrangements (continued)

For the year ended 31 December 2008 these were:	UK \$m	US \$m	Other \$m
Present value of defined benefit obligations	(1,745.0)	(146.5)	(141.9)
Fair value of scheme assets	1,829.0	207.3	35.5
Net asset/(liability) in respect of the scheme	84.0	60.8	(106.4)
Experience gains and losses on scheme liabilities	(27.8)	(5.7)	(1.1)
Percentage of scheme liabilities	(2)%	(4)%	(1)%
Difference between the expected and actual return on pension scheme assets	(421.0)	0.6	(9.7)
Percentage of scheme assets	(23)%	–	(27)%

For the year ended 31 December 2007 these were:	UK \$m	US \$m	Other \$m
Present value of defined benefit obligations	(2,593.4)	(148.3)	(156.6)
Fair value of scheme assets	2,937.4	217.0	52.0
Net asset/(liability) in respect of the scheme	344.0	68.7	(104.6)
Experience gains and losses on scheme liabilities	(19.0)	(3.3)	0.5
Percentage of scheme liabilities	(1)%	(2)%	–
Difference between the expected and actual return on pension scheme assets	(24.2)	6.9	4.4
Percentage of scheme assets	(1)%	3%	8%

For the year ended 31 December 2006 these were:	UK \$m	US \$m	Other \$m
Present value of defined benefit obligations	(2,726.1)	(159.8)	(162.7)
Fair value of scheme assets	2,911.9	220.3	36.4
Net asset/(liability) in respect of the scheme	185.8	60.5	(126.3)
Experience gains and losses on scheme liabilities	61.9	1.1	(9.7)
Percentage of scheme liabilities	2%	1%	(6)%
Difference between the expected and actual return on pension scheme assets	(6.8)	4.5	3.4
Percentage of scheme assets	–	2%	9%

The triennial valuation of the UK scheme as at April 2009 was completed during the year and showed an actuarial deficit of \$158.6 million (at 31 December 2010 exchange rates), which equated to a funding level of 92%. A ten year recovery plan has been agreed with the scheme, under which contributions of \$13.5 million per annum are payable from January 2011 (of which \$2.5 million relates to future service). This recovery plan will be reviewed at the next triennial valuation as at April 2012. The total estimated amount to be paid in respect of all of the Group's retirement and other post-employment benefit arrangements during the 2011 financial year is \$27.4 million.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Coats plc Group:

	Parent companies 2010 \$m	Parent companies 2009 \$m	Joint ventures 2010 \$m	Joint ventures 2009 \$m	Associates 2010 \$m	Associates 2009 \$m
Sales of goods	–	–	11.0	9.6	2.6	1.7
Purchases of goods	–	–	48.3	39.3	–	–
Other income	–	–	–	–	0.5	0.1
Other expense	–	(0.7)	–	–	–	–
Due from related parties	–	–	–	–	1.0	1.0
Due to related parties	199.7	173.4	11.6	6.3	–	–

Amounts owed to parent undertakings include the liability component of \$199.2 million (2009 – \$173.2 million) of the compound financial instrument as disclosed in note 23. The nominal value is \$280.7 million (2009 – \$280.7 million). The other amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified by IAS 24 Related Party Disclosures.

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
Short-term benefits	1.8	1.9
Long-term incentive payments receivable	0.3	–
	2.1	1.9
Highest paid Director:		
Emoluments	1.7	1.8
Long-term incentive payments receivable	0.3	–
	2.0	1.8

As at 31 December 2010 one Director was accruing retirement benefits under a defined contribution pension arrangement (2009 – one).

35. Immediate and ultimate parent company

Coats Group Limited, a company incorporated in the British Virgin Islands, was the immediate parent company of the Group throughout the years ended 31 December 2010 and 2009.

Guinness Peat Group plc, a company incorporated in Great Britain and registered in England and Wales, was both the controlling party and the ultimate parent company of the Group throughout the years ended 31 December 2010 and 2009.

Guinness Peat Group plc prepares consolidated financial statements, which can be obtained from the Company Secretary at First Floor, Times Place, 45 Pall Mall, London SW1Y 5GP.

Independent auditor's report to the members of Coats plc

We have audited the Parent Company financial statements of Coats plc for the year ended 31 December 2010 which comprise the Company statement of financial position and the related notes A to M. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Coats plc for the year ended 31 December 2010. That report includes an emphasis of matter.

Peter O'Donoghue FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 April 2011

Company statement of financial position

At 31 December 2010	Notes	2010 \$m	2009 \$m
Fixed assets			
Investments in subsidiary undertakings	C	1,912.6	1,980.7
Current assets			
Debtors due within one year	D	0.4	0.3
		0.4	0.3
Creditors – amounts falling due within one year			
Other creditors	E	(44.6)	(39.6)
Net current liabilities		(44.2)	(39.3)
Total assets less current liabilities		1,868.4	1,941.4
Creditors – amounts falling due after more than one year			
Amounts owed to parent undertaking (subordinated and convertible)	F	(280.7)	(280.7)
Other creditors	G	(1,053.6)	(1,064.2)
		(1,334.3)	(1,344.9)
Provisions for liabilities and charges	7	(5.6)	(0.1)
Net assets		528.5	596.4
Capital and reserves			
Called up share capital	25	137.9	137.9
Profit and loss account	I	390.6	458.5
EQUITY SHAREHOLDERS' FUNDS	J	528.5	596.4

The financial statements of Coats plc (the Company), registered number 04620973, on pages 75 to 79 were approved by the Board of Directors and authorised for issue on 27 April 2011.

They were signed on its behalf by:

Blake Nixon, Director
27 April 2011

Notes to the Company accounts

A. Principal accounting policies

(a) Basis of accounting

Although the Group's consolidated financial statements have been prepared in accordance with IFRS, the Coats plc Company financial statements presented in this section have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and on the basis of historical cost.

As permitted by FRS 1 Cash flow statements, no cash flow statement for the Company has been included.

The principal accounting policies for the Company are set out below.

(b) Foreign currencies

Since the US dollar and currencies closely linked to it are the main currencies in which the business of the Coats Group and this Company is transacted, the Company's reporting and functional currency is US dollars.

Assets and liabilities in foreign currencies are translated into US dollars at the rates of exchange ruling at the year end or related forward contract rates.

Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion or repayment of foreign currency borrowings are dealt with in the profit and loss account.

(c) Investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been an impairment, in which case an appropriate adjustment is made.

(d) Bank borrowings and other financial instruments

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account.

The Company uses interest rate swaps to manage its exposure to interest rate movements on its floating rate bank borrowings. Under UK GAAP, their book value is nil (2009 – nil). Their fair value comprises assets of \$2.1 million (2009 – nil) and liabilities of \$10.9 million (2009 – \$9.0 million).

The amounts owed to the parent undertaking, which are subordinated, convertible at the option of the lender and are non interest bearing are carried at the amount of the proceeds received.

(e) Compensation

The Company operates compensation plans.

Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the service period, with a corresponding increase in liabilities.

The amount recognised as a liability for compensation under long-term incentive schemes is the present value of the obligation at each reporting date, based on remuneration rates that are expected to be payable.

(f) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) Taxation

Provision is made for taxation assessable on the profit or loss for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the year end, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis.

B. Company's loss

	Year ended 31 December 2010 \$m	Year ended 31 December 2009 \$m
The Company's loss was	67.9	66.8

Under the provisions of Section 408 Companies Act 2006 a profit and loss account for the Company is not presented.

The remuneration of the Company's Directors is disclosed in note 34 to the consolidated accounts. The auditor's remuneration for audit services to the Company was \$0.3 million (2009 – \$0.3 million). Audit fees and any employee costs were borne by a subsidiary undertaking in the current and prior years.

C. Investments in subsidiary undertakings

	Shares in subsidiary undertakings \$m	Loans to subsidiary undertakings \$m	Total \$m
Cost and net book value			
At 1 January 2010	1,798.0	182.7	1,980.7
Additions	–	2.3	2.3
Disposals	–	(70.4)	(70.4)
At 31 December 2010	1,798.0	114.6	1,912.6

The principal subsidiary undertakings of the Company and the Group are detailed in note M.

D. Debtors

	2010 \$m	2009 \$m
Debtors due within one year:		
Amounts owed by subsidiary undertakings	0.4	0.3

E. Other creditors (amounts falling due within one year)

	2010 \$m	2009 \$m
Amounts owed to subsidiary undertakings	0.6	0.7
Bank loans	37.0	37.0
Bank overdrafts	5.7	0.2
Accruals and deferred income	1.3	1.7
	44.6	39.6

F. Amounts owed to parent undertaking (subordinated and convertible)

The amounts owed to the parent undertaking of \$280.7 million (2009 – \$280.7 million) are non-interest bearing, repayable in June 2013, subordinated to the Group's principal banking facility and convertible into equity at par at the option of Coats Group Limited at any time up to June 2013.

G. Other creditors (amounts falling due after more than one year)

	2010 \$m	2009 \$m
Bank loans	260.8	259.9
Amounts owed to subsidiary undertakings	792.8	804.3
	1,053.6	1,064.2

The bank loans falling due within one year and after more than one year are subject to guarantees issued by the Company and certain of its principal subsidiaries as part of the Group's \$545.0 million (2009 – \$585.0 million) banking facility. At 31 December 2010, \$70.6 million (2009 – \$56.6 million) of these banking facilities had been drawn down by the Company's subsidiaries.

H. Deferred taxation

The Company has unrecognised deferred tax assets as follows:

	2010 \$m	2009 \$m
Trading losses	17.2	18.0
Other temporary differences	1.5	–
	18.7	18.0

No deferred tax assets have been recognised due to the unpredictability of the Company's future taxable profit streams.

I. Profit and loss account

	2010 \$m	2009 \$m
Balance at 1 January	458.5	525.3
Net loss for the year	(67.9)	(66.8)
Balance at 31 December	390.6	458.5

Notes to the Company accounts

J. Reconciliation of closing equity

	2010 \$m	2009 \$m
Balance at 1 January	596.4	663.2
Net loss for the year	(67.9)	(66.8)
Balance at 31 December	528.5	596.4

K. Contingent liabilities

	2010 \$m	2009 \$m
Loan and overdraft guarantees in respect of certain subsidiaries	3.1	1.8
Others including overseas documentary credits and trade facility guarantees in respect of certain subsidiaries	2.7	4.0
	5.8	5.8

L. Immediate and ultimate parent company and related party transactions

The Company's immediate and ultimate parent company is set out in note 35 to the consolidated accounts.

As the Company is a wholly owned subsidiary of its ultimate parent company, Guinness Peat Group plc, whose consolidated financial statements are publicly available, in accordance with FRS 8 – Related Party Disclosures, no disclosure is given of transactions between the Company and other entities within the Guinness Peat Group.

M. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company and the Group at 31 December 2010 were as follows:

		Country of incorporation or registration and principal country of operation
Holding, Finance and Property Companies		
Coats Holdings Ltd		England
Coats International plc	99.998%	England
Coats Finance Co. Limited		England
Coats Property Management Limited		England
Coats Industrial Thread Limited		England
Coats China Holdings Limited		Hong Kong
Coats Industrial Thread Holdings BV		Netherlands
J. & P. Coats Limited		Scotland
Coats International Pte Limited		Singapore
Coats North America Consolidated Inc.		US
Thread		
Coats Cadena SA		Argentina
Coats Australian Pty Ltd		Australia
Coats Bangladesh Ltd	80%	Bangladesh
Coats Corrente Ltda		Brazil
Coats Canada Inc		Canada
Coats Opti Shenzhen Ltd		China
Coats Shenzhen Ltd		China
Guangzhou Coats Limited	90%	China
Shanghai Coats Limited		China
Coats Cadena SA		Colombia
Coats (UK) Limited		England
Coats France SAS		France
Coats GmbH		Germany
China Thread Development Company Limited		Hong Kong
Coats Hong Kong Limited	90%	Hong Kong
Coats Crafts Hungary Limited		Hungary
Coats Hungary Limited		Hungary

M. Principal subsidiary undertakings (continued)

		Country of incorporation or registration and principal country of operation
Thread (continued)		
Madura Coats Private Limited		India
PT Coats Rejo Indonesia		Indonesia
Coats Cucirini SRL		Italy
Coats Thread (Malaysia) Sdn Bhd	99.6%	Malaysia
Grupo Coats Timon SA De CV		Mexico
Cia de Linha Coats & Clark Lda		Portugal
SC Coats Romania Impex SRL		Romania
Coats South Africa (Pty) Ltd		South Africa
Coats Fabra SA		Spain
Coats Thread Lanka (Private) Ltd	99.7%	Sri Lanka
Coats (Turkiye) Iplik Sanayii AS	91.8%	Turkey
Coats American Inc.		US
Coats & Clark Inc.		US
Coats Phong Phu Co Ltd	70%	Vietnam
In addition, the following companies were subsidiary undertakings of the Company at 31 December 2010 under UK GAAP, but represent joint ventures for the Group under IFRS.		
Thread – Joint Ventures		
Guangying Spinning Company Limited	50%	China
Jinying Spinning Company Limited	50%	China

All the above companies carry on businesses, the results of which, in the opinion of the Directors, principally affect the amount of the profit or the amount of the assets of the Group and the Company. All companies are wholly owned unless otherwise stated; percentage holdings shown represent the ultimate interest of Coats plc.

All companies except Coats Holdings Ltd, Coats International plc, Coats Industrial Thread Holdings BV and Coats Industrial Thread Limited are held indirectly.

Notes

